



لوبريف
luberef

Building resilience while creating value for our shareholders



Annual Report 2023

In The Name of Allah
The Most Merciful, The Most Gracious



Custodian of the Two Holy Mosques
King Salman bin Abdulaziz Al-Saud



His Royal Highness
Prince Mohammed bin Salman bin Abdulaziz Al-Saud
Crown Prince, Prime Minister of Saudi Arabia

Table of Contents

1	About Luberef	06
	History	08
	Chairman's Message	10
	CEO's Message	12
	Highlights of 2023	14
	Luberef's Operations	20
	Vision, Mission and Values	22
2	Business Overview and Strategy	24
	Business Overview	26
	Market Overview	36
	Strategy	38
	Future Projects	42
3	Results and Performance	46
	Key 2023 Metrics	48
	CFO's Message	52
	Financial Performance	54
4	Environmental, Social and Governance (ESG)	60
	Luberef's Approach to Sustainability	62
	Environmental Stewardship	64
	Safety, Talent Management and Social Initiatives	64
	Governance	69

5	Risk	70
	Risk Management	72
	Risk Factors	74
6	Corporate Governance	76
	Board of Directors	78
	Senior Executives	88
	Board Structure	98
	Audit Committee Report	103
	Remuneration and Nomination Committee	108
	Compensation and Other Interests	111
	Governance, Risk and Compliance	114
7	2023 Financial Statements	122
8	Appendix	174
	Abbreviations	176

About Luberef

History

Chairman's Message

CEO's Message

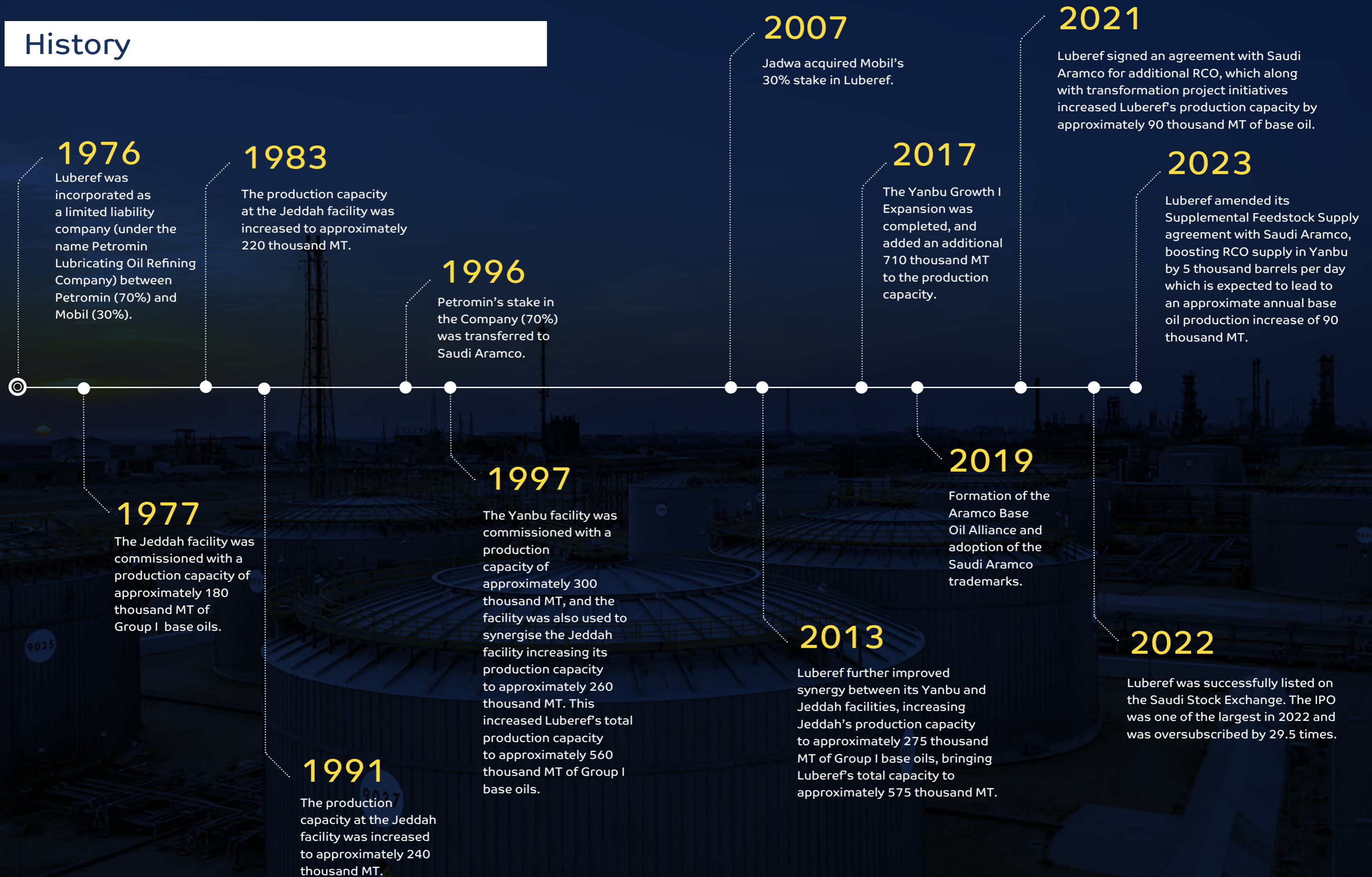
Highlights of 2023

Luberef's Operations

Vision, Mission and Values



History



Chairman's Message



Luberef was able to record its second-highest income and its highest-ever free cash flow in its 46-year history. This achievement is a testament to our strong foundation and strategic focus, as we continue to position Luberef for continued success.

Dear Shareholders,

It is my pleasure to share with you our 2023 annual report, reflecting Luberef's resilient performance and significant value creation for our shareholders. Luberef's share price climbed nearly 50%, demonstrating the confidence investors have placed in the company's future. We also returned value directly through dividend distributions, aligned with our recently approved dividend policy targeting 60% to 80% of the company's free cash flow. This resulted in a distribution of 10 SAR per share. Our commitment to balancing long-term growth with rewarding shareholders through consistent distributions is core to Luberef's value proposition.

It is important to acknowledge that we navigated lower base oil margins throughout the year as prices began to normalize. Despite this challenge, Luberef was able to record its second-highest income and its highest-ever free cash flow in its 46-year history. This achievement is a testament to our strong foundation and strategic focus, as we continue to position Luberef for continued success.

Our unique focus on base oil production, coupled with financial strength, strategic location, an efficient value chain, and a competitive cost structure, positions us well to thrive in the evolving base oil market. We have prudently navigated changing dynamics, anticipating the shift in de-

mand from Group I to Group II and III base oils. The Yanbu Growth II project will provide Luberef with the flexibility to adjust its Group II and III offerings based on the most favorable netback economics. In collaboration with our majority shareholder, Saudi Aramco, we continue to identify opportunities to participate in the growing demand for Group III base oils.

By leveraging the Saudi Aramco business transformation program, we successfully extracted additional value from our assets. This involved securing new feedstocks, enabling increased production of Group II base oil. The program, focused on synergizing operations across Saudi Aramco's assets, facilitated

Luberef's partnerships with other facilities, unlocking further value creation opportunities.

At Luberef, we are committed to operating responsibly and sustainably, actively seeking opportunities to minimize our environmental impact and contribute to a more sustainable future. In 2023, we took a significant step towards our 2050 net-zero journey by participating in the largest voluntary carbon credit auction held in Nairobi, Kenya. Carbon credits, along with energy efficiency and sustainable energy initiatives, are the pillars of Luberef's strategy to achieve net-zero emissions. By integrating sustainability into our core business practices, we aim to create long-term

value for our stakeholders while contributing to a more sustainable future for all.

It is important to highlight that our success is built on a strong foundation of safe and reliable operations, without which we would not have realized our current successes. Luberef has achieved more than 4 years 0.0 Total Recordable Incident Rate (TRIR) and we maintain a top quartile operational availability performance of 98.3%. This is a remarkable achievement by the team in the field, however we must remain focused to maintain such a record and continue to celebrate future success.

As we look to the future, we the Board of Directors and

the Executive Management remain committed to positioning the company for a generation of success and value creation. I would also like to thank all our customers, valued partners and Luberef's employees whose professionalism and dedication have allowed us to celebrate such a strong performance.

**Mr. Ibrahim
Q. Al Buainain**
Chairman

CEO's Message



In a year where inflation impacted many industries, we continued to be disciplined with our costs and have successfully reduced our unit cost of base oil production from SAR 439/MT to SAR 392/MT.

Total Recordable Incident Rate

Zero Incidents

Highest Base Oil Sales

1.3 million MT

Dear Shareholders,

It is my honor to present to you Luberef's achievements for 2023. In a year which was marked by political strife, uncertain economic conditions and volatile markets, our focus was on operational excellence and building on the elements which make Luberef an agile and unique opportunity in the sector.

We have delivered record numbers in terms of base oil production volumes, as well as sales volumes. We have reduced our unit costs for base oil production and debottlenecked our GII train. We have also completed our Jeddah facility turnaround safely, within schedule and within budget during the 1st quarter of 2023.

These were all achieved while maintaining safe and reliable operations across both of our

sites. We continue to record a Total Recordable Incident Rate (TRIR) of 0.0 spanning more than 4 years and we have accumulated more than 35 million manhours without Loss Time Injury (LTI). These are industry leading numbers which we take pride in.

Safety is an important factor in our business as it drives reliability and supports low production costs. Safety is paramount in our business, as it ensures we enjoy the full benefit of high margin environments, and are the lowest cost producer during tough environments.

Our higher sales and production volumes were supported by our business transformation execution. In 2023 we secured additional feedstock volumes from Saudi Aramco which resulted in a higher capacity utilization for the year, despite conducting a turnaround in our

Jeddah facility during the first quarter of 2023. These additional feedstocks have allowed us to debottleneck our GII train and increase its capacity from 800 KTA to 910 KTA considering our current operating slate. In a year where inflation impacted many industries, we continued to be disciplined with our costs and have successfully reduced our unit cost of base oil production from SAR 439/MT to SAR 392/MT.

We continue to monitor the ongoing shift in base oil demand, as demand for GI declines and GII and GIII demand continues to grow. We aim to position ourselves to be in an advantaged position over our competitors. The Yanbu Growth II project will place Luberef as the only base oil producer in the region with the ability to produce the full slate of mineral base oil required by our customers. The project

is currently undergoing the EPC phase and is planned to be commissioned by the 2nd half of 2025. However, the Yanbu Growth II project is not the end of our growth journey, as we are also exploring opportunities beyond the Yanbu Growth II project to enable Luberef to create value for generations to come.

We are committed to our ambition 2050 carbon neutrality target and are currently establishing the framework which will set the foundation for developing our plan to reach our carbon neutral objective. In the meantime, we continue to launch sustainability initiatives to help achieve more sustainable operations, including targeting energy efficiency and water recycling. We also participated in the largest voluntary carbon credit auction which was held in Nairobi, Kenya, where

we purchased 20 thousand credits. Carbon credits will be an important tool for Luberef to achieve our 2050 objective.

Before I conclude, I would like to thank the Chairman and members of the Board of Directors for their support and guidance. I also would like to thank the shareholders along with our executive management and all of Luberef's employees. It is their commitment and dedication to their work and to the safety of our operations which has led to these results.

Finally, I would like to thank our customers for their continued trust and support of Luberef.

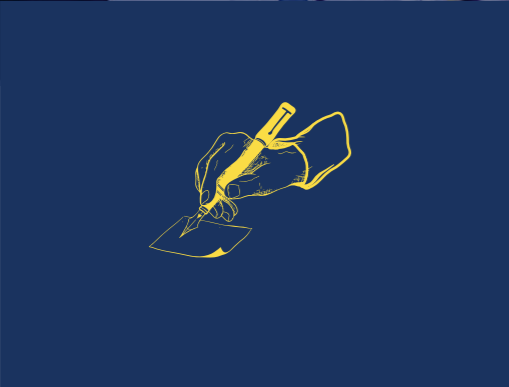
Samer A. Hokail

President and CEO

Highlights of 2023



First Quarter



Luberef signed an Engineering, Procurement and Construction contract with Petrojet Company for the Yanbu facility expansion (Growth II). This project aims to expand existing units at the Yanbu facility to their maximum potential production capacity of 1.3 million MT by 2025. This expansion will provide flexibility for the production of additional Group II and Group III base oils based on market demand.



Luberef completed the Jeddah refinery turnaround successfully and safely with zero health, safety, and environmental (HSE) incidents or injuries. Comprehensive testing, inspection, and improvement for the refinery were successfully performed to achieve competitiveness, reliability, and sustainability of the refinery.



Luberef signed memorandums of understanding (MOUs) at LEAP, the premier tech event in Saudi Arabia, with Insilico leveraging their AI expertise to develop new base oil and lubricant formulations. Luberef also signed an agreement with Nournet to secure next generation IT infrastructure and cloud management services. Finally, the “RISE with SAP” agreement, signed with SAP, aims to enhance Luberef’s enterprise resource planning (ERP) capabilities.



As part of the ongoing transformation program, Luberef optimized its operational expenses at the Jeddah facility by switching to a third-party water and power provider. This strategic move is projected to yield annual cost savings of up to SAR 28 million.

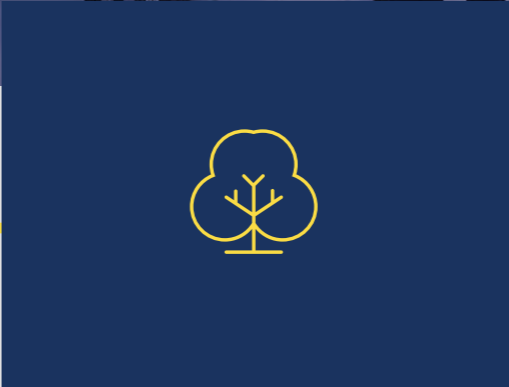
Highlights of 2023



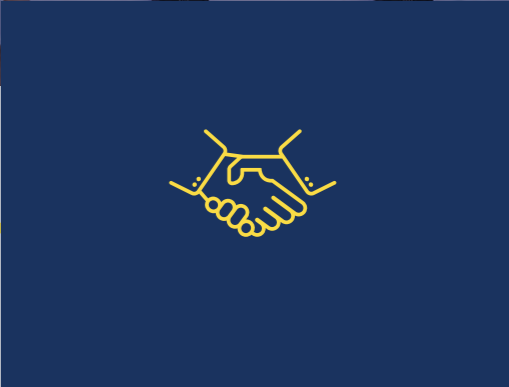
Luberef signed an amendment to the Supplemental Feedstock Supply Agreement to receive an additional supply of 5 thousand barrels per day of Reduced Crude Oil (RCO) from Saudi Aramco, which will increase the total quantity of RCO received at Luberef's Yanbu facility to 50 thousand barrels per day.



Luberef signed an agreement to receive an additional supply of up to 2,000 barrels per day of Vacuum Gas Oil (VGO) from Saudi Aramco which will be used as feedstock to produce base oil and by-products at the Yanbu facility.



Luberef participated in the largest-ever voluntary carbon credit auction held by the Regional Voluntary Carbon Market Company (RVCMC) in Nairobi, Kenya. 20 thousand carbon credits were aquired at the auction, demonstrating Luberef's commitment to achieve net-zero emissions by 2050.

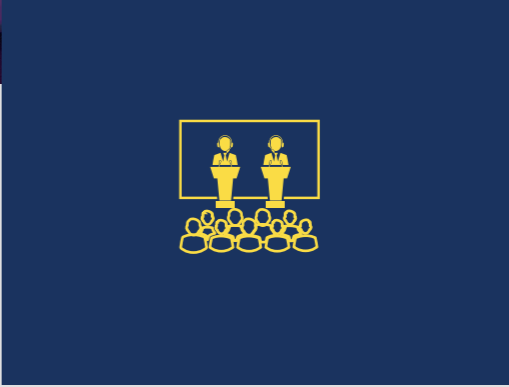
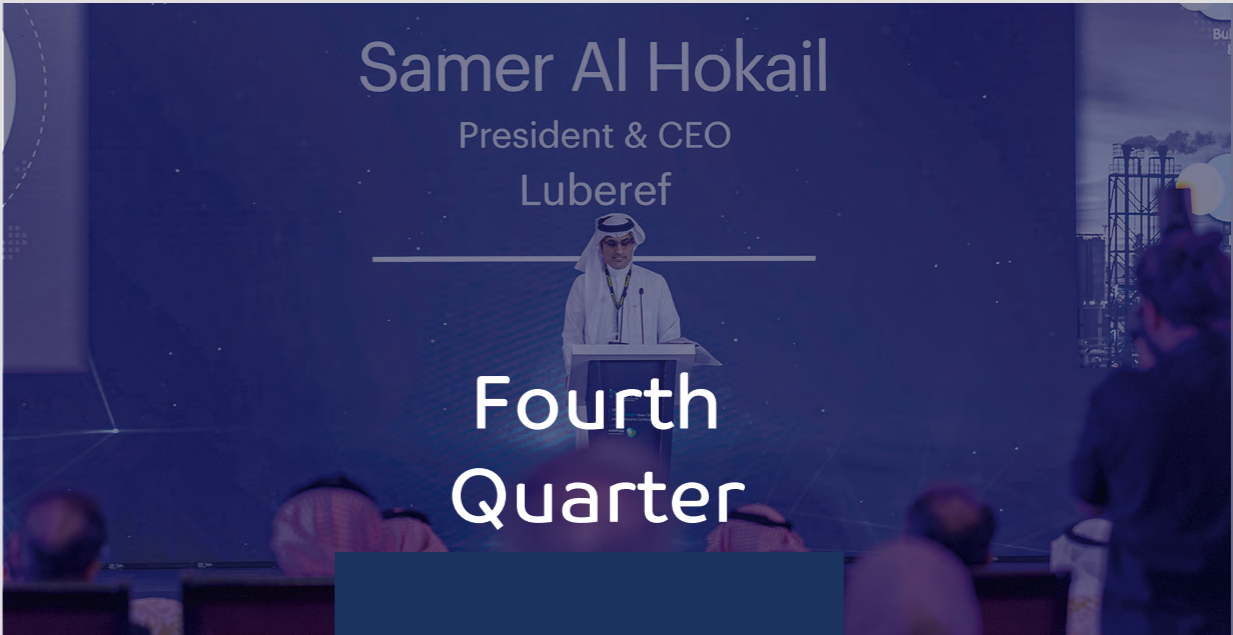


Luberef and the Royal Commission for Jubail and Yanbu signed an MOU aimed at unlocking investment opportunities in Yanbu which synergize with base oil manufacturing facilites.

Highlights of 2023



Luberef appointed Eng. Samer A. Hokail as the new President & CEO. A leader with over 25 years of experience in the energy sector, Eng. Samer brings a wealth of expertise in leadership, planning, and strategic management. Throughout his career, Eng. Samer has held prominent positions at Saudi Aramco and its subsidiaries. Notably, he established and led an organization overseeing 12 international affiliates with a combined asset value exceeding USD 35 billion. He also served as President & CEO of Saudi Petroleum International in New York, managing Saudi Aramco’s crude sales to North America.



Luberef cemented its position as a key industry player at the 2023 ICIS Middle East Conference in Jeddah, the region’s premier event for the base oils and lubricants sector. This leadership role was further solidified by President & CEO, Eng. Samer, who offered valuable insights into the current landscape. Highlighting both opportunities and challenges, he emphasized the crucial role of collaboration between various entities within the industry.



Luberef's Operations



A Global Leader in Base Oil Production and Distribution:

Luberef is one of the largest base oils producers in the world and the only virgin base oils producer in the Kingdom. Luberef's products are sold in the Kingdom and other countries across the MENA region, the Americas and Europe. Luberef produces various Group I and Group II base oils and byproducts, including asphalt, Marine Heavy Fuel Oil (MHFO) and sulfur, as well as white products such as Ultra-Low Sulfur Diesel (ULSD), naphtha and drilling fluid.

Luberef's primary business is the production and distribution of high-quality base oils and other petroleum derivatives. Luberef operates two facilities in Yanbu and Jeddah to produce Group I and Group II base oils. The Jeddah facility has an annual production capacity of approximately 275 thousand MT of Group I base oils. After the

Yanbu facility ramped up to maximum capacity in 2023, Luberef's total production capacity increased to 1.5 million MT of Group I and Group II base oils annually.

Aramco Base Oil Alliance

As part of Aramco Base Oil Alliance, Luberef procures Group III base oils from other Alliance members and resells them in the domestic and Middle East Market. These are used in a wide range of industrial and automotive lubricants by a range of customers. Luberef is a member of the Aramco Base Oil Alliance, along with S-Oil and Motiva, with a marketing zone in the Middle East (including Pakistan) and Africa.

Alliance members market their products under trademarks licensed by Saudi Aramco. The

Group I base oils products are branded as «aramcoDURA». Group II base oils products are branded as «aramcoPRIMA», and Group III base oils products are branded as «aramcoULTRA». Luberef has a strong reputation for its quality and reliability in the global lubricants market. It continues to explore newer market opportunities for future growth and expansion in this sector.

Luberef is actively pursuing new market opportunities, constantly seeking avenues for further growth and expansion within the base oil sector, with a focus on innovation that paves the way for a future of sustained success and industry leadership.

Global Marketing Asset Footprint – Key Logistical Hubs in the Middle East and Africa



Vision, Mission and Values:

Vision

Luberef’s vision is to be a leading supplier of premium base oils and specialty products in key end markets.

Mission

Luberef strives to achieve excellence in the production of base oils and specialty products.

Core Values:

Luberef conducts its business with the following core values:



Safety

Luberef continuously protects and secures its resources and community with safe operations and a safe workplace.



Excellence

Luberef delivers what it promises and strives to go beyond what it is expected to achieve.



Integrity

Luberef conducts its business ethically and respectfully.



Accountability

Luberef is accountable to its customers, stakeholders and community and takes responsibility for what it does.



Citizenship

Luberef impacts society in a positive way with its presence and demonstrates social responsibility.



Business Overview and Strategy

Business Overview

Market Overview

Strategy

Future Projects



Business Overview

Luberef draws on its rich experience in the base oil business to bring quality products that offer reliability and consistency on a global scale. Luberef’s products are used by a broad range of critical and core industries to produce offerings that positively impact the lives of millions of people around the world.

Products Overview

Luberef is one of the largest pure-play producers of high-quality Group I and II base oils globally. It also produces various byproducts such as asphalt, marine heavy fuel oil (MHFO), slack wax, extract and sulfur, as well as white products like ultra-low sulfur diesel (ULSD), naphtha and drilling fluid. Luberef draws on its rich experience in the base oil business to bring quality products that offer reliability and consistency on a global scale. Luberef’s products are used by a broad range of critical and core industries to produce offerings that positively impact the lives of millions of people around the world.

Base Oils

Base oil products typically have two specific identifiers in their name to help identify the product’s grade and group. The grade is defined by the number stated in the product name, which is a reference to the product’s viscosity. The base oil groups are based on the technical specification of the base oils and where they fall within the American Petroleum Institute (API) definition.

Product Categories

As a member of the Base Oil Alliance, Luberef, like other alliance members, markets its products under a global Aramco brand. Group I, II and III are branded as aramcoDURA™, aramcoPRIMA™, and aramcoULTRA™ respectively.

Products Overview and Properties

Group	Trademark	Key Properties	Products
Group I	aramcoDURA™	Good viscosity index	aramcoDURA 150
			aramcoDURA 500
			aramcoDURA BS 150
Group II	aramcoPRIMA™	Good viscosity index, low sulfur	aramcoPRIMA 70
			aramcoPRIMA 110
			aramcoPRIMA 230
			aramcoPRIMA 500
Group III*	aramcoULTRA™	Excellent viscosity index, low sulfur	aramcoULTRA 2
			aramcoULTRA 4
			aramcoULTRA 6
			aramcoULTRA 8

*Not currently produced by Luberef.



Group I Base Oils

398,222 MT

Production in 2023

Group II Base Oils

824,600 MT

Production in 2023

Base Oil Alliance Sales

120,500 MT

Sales in 2023

Group I and Group II Base Oils

Luberef produces three grades of Group I base oils: aramcoDURA™ 150, aramcoDURA™ 500 and aramcoDURA BST™ 150. AramcoDURA 150 and aramcoDURA™ 500 are produced at the Jeddah facility. The Yanbu facility produces aramcoDURA BST™ 150. These products are primarily sold in end markets in the Kingdom, the UAE, India, Singapore and Africa.

Luberef produces four grades of Group II base oils, namely aramcoPRIMA™ 70, aramcoPRIMA™ 110, aramcoPRIMA™ 230 and aramcoPRIMA™ 500, at the Yanbu facility. These products are mainly sold in end markets in the Kingdom, India, the UAE and Africa.

Luberef Production of Group I and Group II Base Oils ('000 MT)

Product	2023 ('000 MT)	2022 ('000 MT)	% Change YOY
Group I Base Oils	398	408	(2.5%)
Group II Base Oils	825	787	4.8%

Base Oil Alliance Sales

As Luberef does not produce Group III base oils, KSA demand requirements are secured through the Base Oil alliance by importing from S-Oil.

In addition, Aramco Base Oil Alliance members (S-Oil and Motiva) also sell their products, mainly Group III, in Luberef’s zone, which are referred to as Alliance trade sales.

Base Oil Alliance Sales

Product	2023 ('000 MT)	2022 ('000 MT)	% Change YOY
Base Oil Alliance Sales	121	81	49.4%

Byproducts

The byproducts produced by Luberef include asphalt, Marine Heavy Fuel Oil (MHFO), slack wax, bright stock extract and sulfur, as well as white products such as Ultra-Low Sulfur Diesel (ULSD), naphtha and drilling fluid.

Byproducts Production

Product	2023 ('000 MT)	2022 ('000 MT)	% Change YOY
White Products	338	397	(15%)
Other Byproducts	2,203	2,181	1%

Production Facilities

Luberef currently operates two base oil production facilities, the Yanbu facility and the Jeddah facility, both of which are strategically located on the west coast of the Kingdom.

Company Facilities, Details and Production Capacity

Facility	Start Up Year	Capacity (MT/year)		Production 2023 (MT)		Production* 2022 (MT)	
		Base Oil	Byproducts**	Base Oil	Byproducts**	Base Oil	Byproducts**
Yanbu	1997	1,180,000	1,780,000	994,019	1,657,175	952,729	1,588,325
Jeddah	1977	275,000	1,050,000	228,804	883,615	241,850	990,257

* Based on current operating products slate.
** Byproducts volumes include White Products.



Track Record of Growth



Yanbu facility

1997

300,000 MT

Annual Production Capacity after commissioning

2017

710,000 MT

Annual Production Capacity after Growth I

Today

1,180,000 MT

Annual Production Capacity after Business Transformation

The Yanbu Facility

The Yanbu facility currently produces Group I (aramcoDURA BS™ 150) and Group II base oils as main products, and ULSD, naphtha, drilling fluids, MHFO, asphalt bright stock extract and sulfur as byproducts.

The Yanbu facility was commissioned in 1997 to produce high quality Group I base oils at a production capacity of approximately 300 thousand MT per year. The site was producing aramcoDURA™ 150, aramcoDURA™ 500 and aramcoDURA BS™ 150 until November 2017.

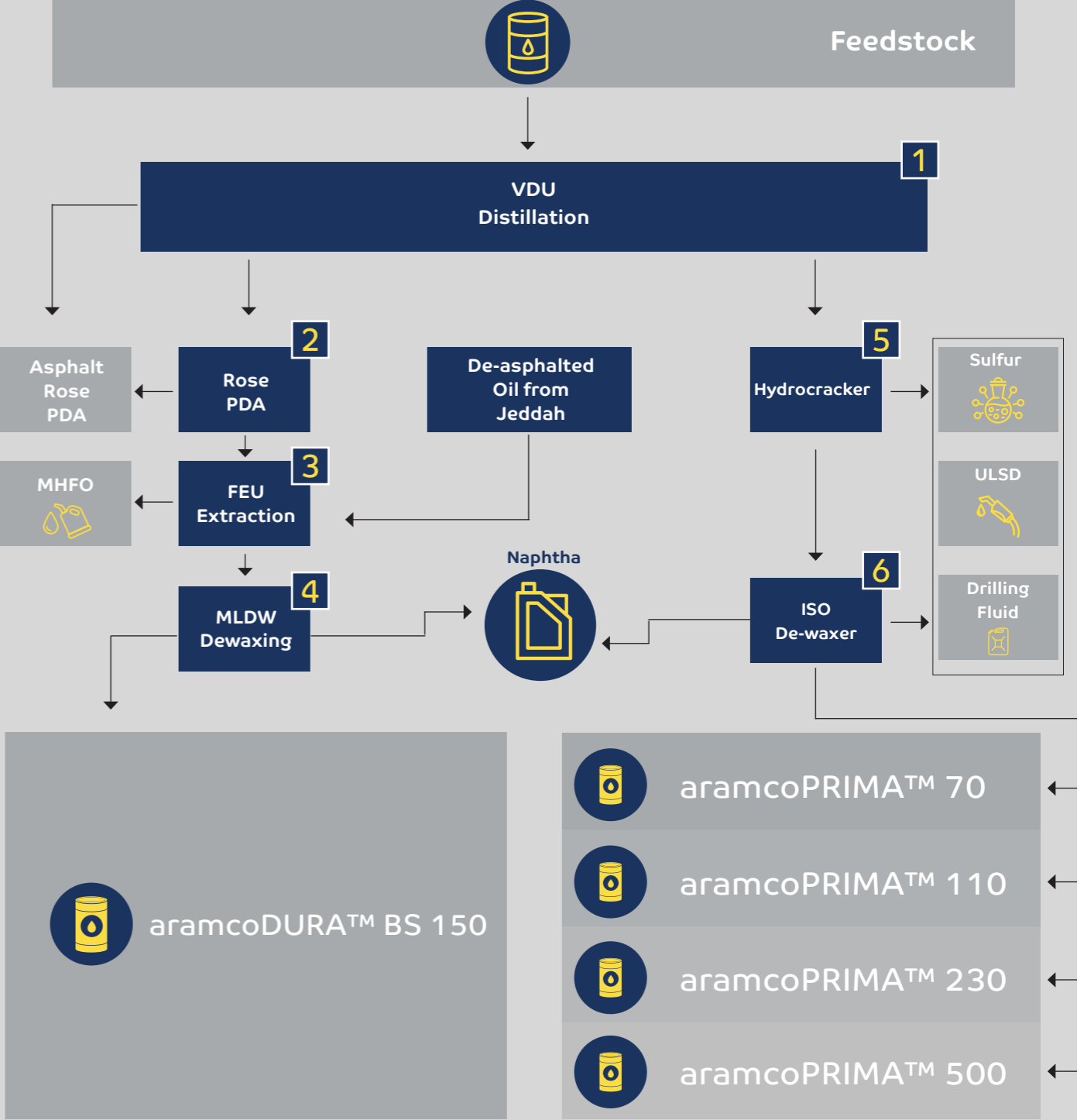
The Yanbu Growth I Expansion was completed at the end of 2017 and enabled the site to produce Group II Base Oils including aramcoPRIMA™ 70, aramcoPRIMA™ 110, aramcoPRIMA™ 230, aramcoPRIMA™ 500 and aramcoDURA™ BS 150 as main products, and ULSD, Naphtha, Drilling Fluids, MHFO, asphalt bright stock extract and sulfur as byproducts. After the commissioning of the Yanbu Growth I Expansion, the Yanbu

facility production capacity reached approximately 1 million MT, including the introduction of 710 thousand MT Group II base oils production capacity.

This brought Luberef’s total base oils production capacity (in both facilities) to approximately 1.255 million MT per year by the end of 2017.

In 2021, the Yanbu facility production capacity reached approximately 1.07 million MT after the increase of the capacity of certain units through transformation initiatives, and Luberef’s total base oils production capacity in both the Yanbu and Jeddah facilities reached approximately 1.345 million MT per year.

In 2023 additional debottlenecking was achieved resulting in a 110k MT GII capacity increase, pushing Luberef’s total capacity to 1.455 Million MT per year of base oil. Luberef plans to implement the Yanbu Growth II Expansion project, which is planned to be completed in 2025.



- 1** Vacuum Distillation Unit (VDU): feedstock heated to a high temperature using fired heater

3 Furfural Extracting Unit (FEU): uses solvent extraction process to remove undesirable components

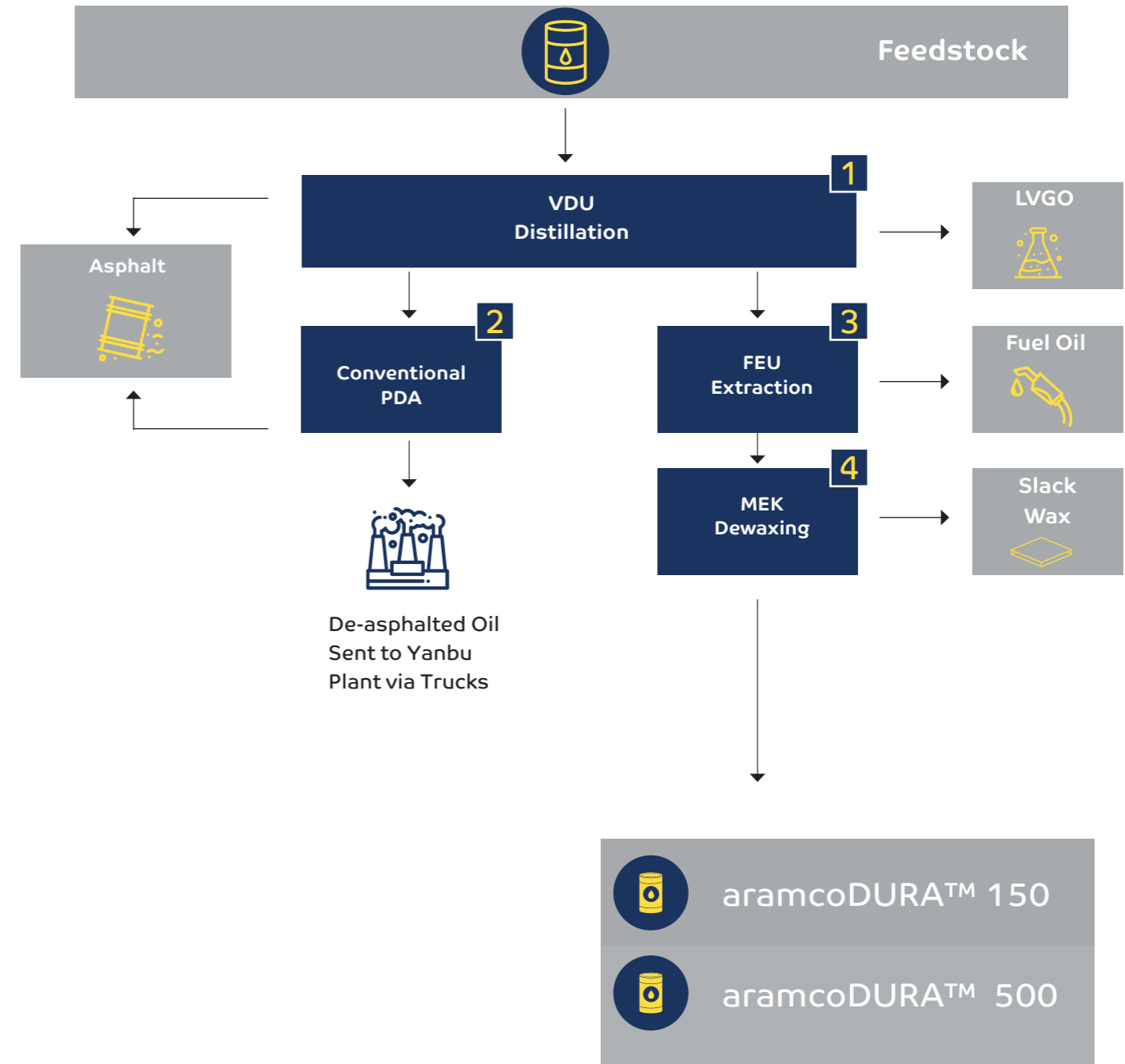
5 Hydrocracker: distillates produced by VDU are fed to the hydrocracking reactor
- 2** Propane De-asphalting Unit (PDA): process has 2 stages: (1) extraction and (2) solvent recovery

4 Mobile Lube Dewaxing Unit (MLDW): separation section for Group I base oils

6 ISO De-waxer: converts wax into base oils through isomerization process using catalyst

The Jeddah Facility

The Jeddah facility was originally commissioned in 1977 to produce aramcoDURA™ 150 and aramcoDURA™ 500 Group I base oils. The Jeddah facility has undergone a number of de-bottlenecking projects and has synergized its operations with the Yanbu facility which led to an increase in its annual production capacity from approximately 180 thousand MT to the current 275 thousand MT.



GROUP I Base Oils

- 1

Vacuum Distillation Unit (VDU): feedstock heated to a high temperature using fired heater
- 2

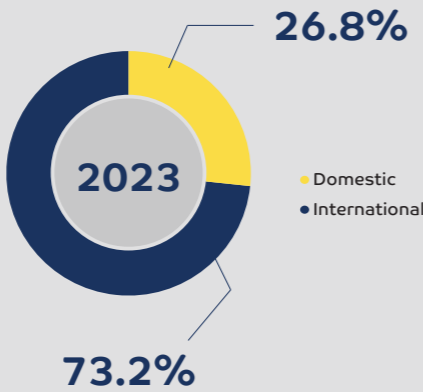
Propane De-asphalting Unit (PDA): process has 2 stages: (1) extraction and (2) solvent recovery
- 3

Furfural Extraction Unit (FEU): uses solvent extraction process to remove undesirable components
- 4

MEK Dewaxing Unit: uses mixture of MEK and toluene to crystallize waxes to be removed, producing Group I base oils

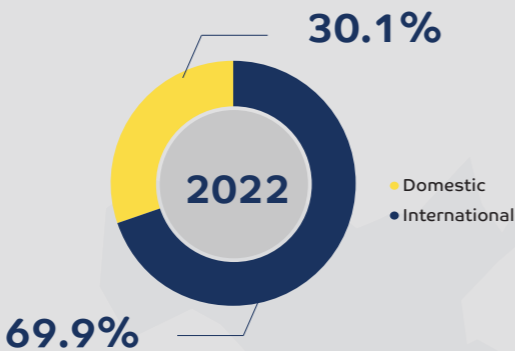
Base Oil Sales

Luberef's base oils are sold mostly in the Kingdom, the MENA region and India, while the remaining volumes are sold globally. Luberef manages the sales of base oils sold in its Base Oil alliance marketing zone, which comprises the Middle East, the African continent and Pakistan. Luberef Base Oil sales outside the marketing zone are managed through the Base Oil Alliance members, where Motiva is responsible for sales in the Americas, and S-Oil is responsible for sales in Asia and Europe. As part of its Africa penetration strategy, Luberef has started utilizing distributors to sell Base Oil in South Africa and Sudan.



Domestic
338,189 MT
Base Oil Volume

International
925,374 MT
Base Oil Volume

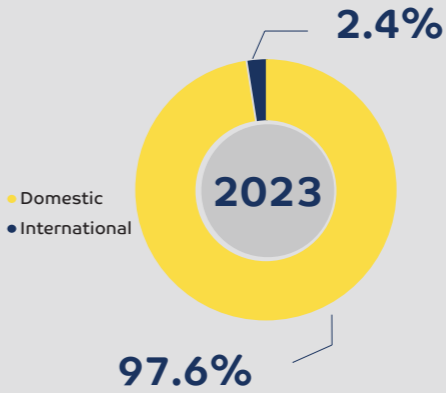


Domestic
376,053 MT
Base Oil Volume

International
871,879 MT
Base Oil Volume

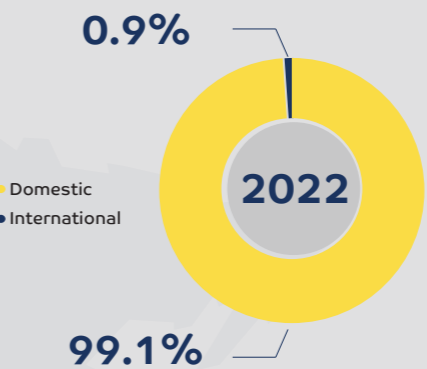
Byproducts Sales

Luberef produces and sells byproducts such as asphalt, Marine Heavy Fuel Oil (MHFO), slack wax, bright stock extract and sulfur, and White Products such as ultra-low sulfur diesel (ULSD), naphtha and drilling fluid. Luberef sells the majority of its byproducts to Saudi Aramco and its Affiliates.



Domestic
2,489,548 MT
Byproducts Volume

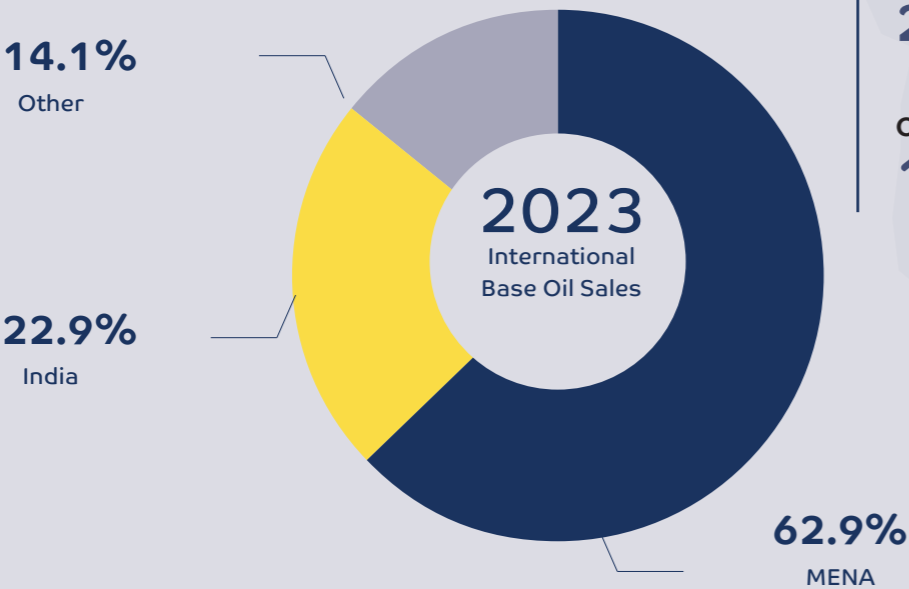
International
60,741 MT
Byproducts Volume



Domestic
2,540,818 MT
Byproducts Volume

International
22,885 MT
Byproducts Volume

International Base Oil Sales



MENA Volume
582,461 MT

India Volume
212,241 MT

Other Volume
130,672 MT

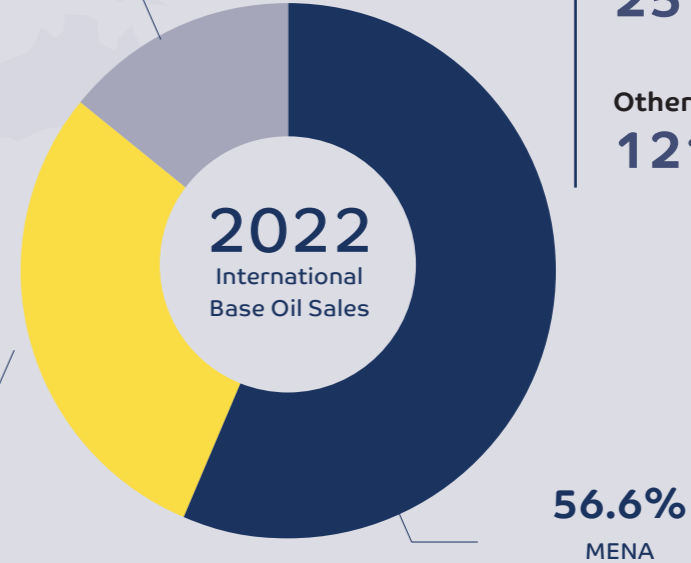
14%
Other

29.5%
India

MENA Volume
493,086 MT

India Volume
257,005 MT

Other Volume
121,788 MT



Market Overview

«The Middle East and KSA demand for Group II and III base oils is expected to grow higher than the rest of the regional markets, thus presenting a very positive outlook. Based on the demand and supply outlook along with core patch of sales in KSA, the Middle East and Africa, the company is set for growth in years to come».

Global GDP growth
2.9%
in 2024 and 3.1% over the medium term

Global lubricant demand
0.9%
between 2023 and 2028

Global Base Oil demand between 2023 and 2028
Group II
5.0%
Group III
4.3%

Global Economic Headwinds, Continued Growth for Base Oils

The global economic outlook is uncertain, with both risks and opportunities on the horizon. While 2023 has observed easing inflation, however it remains above target in many regions, driven by geopolitical tensions, supply chain disruptions, and tight labor markets. With disinflation and steady growth, the likelihood of a hard landing has receded, and the potential of global growth is broadly balanced. These factors are collectively impacting the outlook for various industries, including Base Oil.

Despite anticipated demand growth for base oils, particularly in higher-performance Group II and III grades, pricing pressures are expected to materialize over the medium term. While the momentum witnessed in 2023 may offer some near-term reprieve, with prices potentially remaining flat or experiencing slight declines, several factors, including planned refinery maintenance and rising borrowing costs, could further stress Base Oil prices in the near future.

Overall, the global Base Oil market anticipates a gradual reduction in oversupply, ensuring adequate availability across all regions. This, coupled with projected demand growth, projects a cautiously optimistic picture for the industry’s long-term trajectory. However, the near-term landscape remains intricate, with price stability hinging on a delicate balance between demand dynamics and evolving supply-side factors.

Regional Markets Outlook: Growth Engines and Challenges

The demand for lubricants and base oils in the US and Europe is expected to witness some contraction due to strict regulations and drive towards increasing efficiency. Whereas, markets such as China, Asia Pacific, and the Middle East are projected to be the main growth engines going forward. Africa presents an interesting picture, with promising growth potential, but different trends across countries.

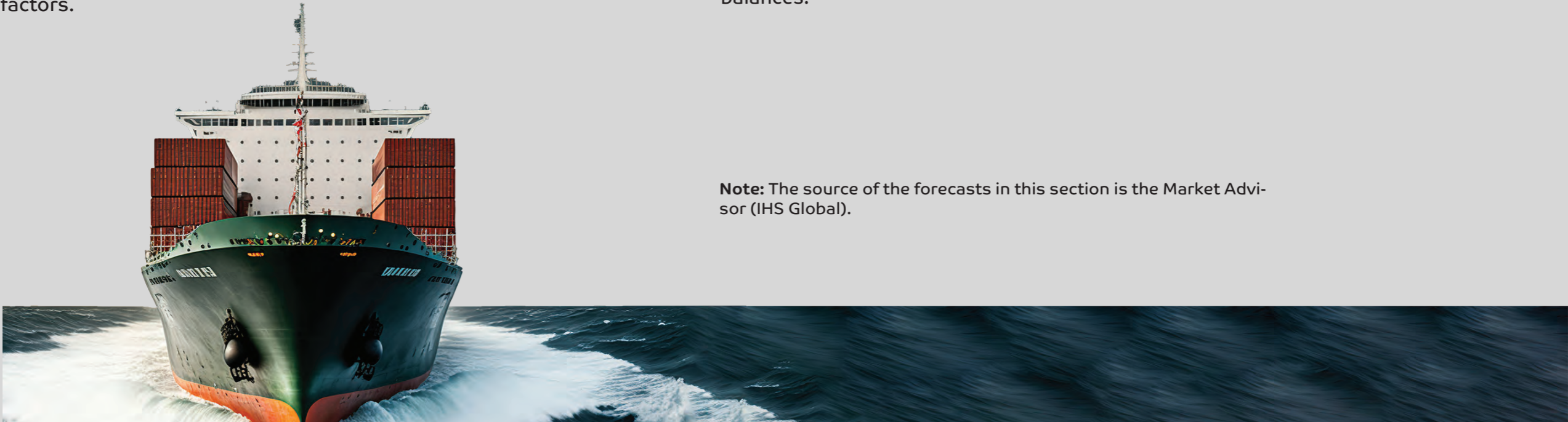
These regional trends will impact global lubricant and Base Oil demand and supply dynamics significantly. Asia Pacific, the Middle East and Africa present a more favorable picture for positive price positioning. Efficient logistics and long-term product availability can influence both short- and long-term market shares across regions. Key blenders will likely play a major role in maintaining regional supply-demand balances.

The Middle East & KSA: A Thriving Hub

Supported by robust infrastructure investments, healthy population growth and Vision 2030, the Middle East & KSA present a promising outlook for 2024 and beyond. The IMF predicts the region will achieve a strong 4% growth in 2024. KSA’s strategic location and its intent to become a central logistic hub for the region make it well-positioned to meet potential supply-demand challenges, mitigating similar disruptions witnessed during the pandemic.

The Middle East and KSA region is anticipated to experience higher demand for Group II and III base oils compared to other regional markets, ensuring a positive outlook. Combined with sustainable supply and demand projections with a strong sales base in the KSA, the Middle East and Africa, the Company is well positioned to deliver healthy growth in the years ahead.

Note: The source of the forecasts in this section is the Market Advisor (IHS Global).



Strategy

Growth in Key Markets With High Demand

Luberef is committed to strategic expansion in key end markets with promising demand outlooks. Luberef's Base Oil portfolio serves critical applications across automotive, marine and industrial sectors. In 2023, Luberef sold approximately 1.3 million MT of base oils (including Group III), with 27% in Saudi Arabia, 40% across the Middle East, 6% in Africa, 17% in India, and 10% in other markets. Market research forecasts robust growth for Group II and III base oils, with global CAGR projections of 5% and 4.3%, respectively,

between 2023 and 2028. Notably, the Middle East and Saudi Arabia exhibit even stronger growth potential, exceeding global averages. Luberef has consistently outperformed market trends even amidst stagnant global demand for paraffinic base oil. This success is underpinned by the Aramco Base Oil Alliance's extensive distribution network, and efficient access to key markets.

Africa

Africa is the fastest growing region globally. It is the world's second largest and most

populous continent after Asia, with a growing population of more than 1.37 billion and a GDP of 320 billion US\$. Luberef's strategic location and Africa's current market dynamics present a unique opportunity for Luberef to be the market leader for base oil supply to Africa.

Africa's base oil demand is poised for sustained growth, presenting significant opportunities for strategic players like Luberef. This anticipated surge aligns with a trend of European suppliers reducing their African presence, creating a potential void for Luberef

to capitalize on. Additionally, the Kingdom's "Enabling Africa" program also provides valuable support for the continent's market development, further enhancing the region's attractiveness. This confluence of factors creates a favorable landscape for Luberef to leverage its expertise and expand its African footprint. By proactively addressing the evolving needs of the region, Luberef can establish itself as a key partner in Africa's base oil growth story.

Valvoline

Valvoline is a finished lubricants brand which was recently acquired by Saudi Aramco in March 2023. The brand was acquired as part of the Saudi Aramco acquisition of Valvoline Global Products from Valvoline Inc for SAR 10.34 billion, including customary adjustments.

Valvoline Global Products is a worldwide leader in automotive and industrial solutions, creating future-ready products and best-in-class services for partners around the globe. Partnering with

Valvoline Global Products will create various opportunities for Luberef to access new markets and potentially create new products targeting new base applications.

Note: The source of forecasts is IHS Global.





Leveraging Advantaged Cost and Value Chain Positions

Luberef benefits from long-term agreements for Arab Light based Reduced Crude Oil (RCO) feedstock, offering significant advantages for base oil production, due to its high paraffinic content. RCO is priced similarly to high sulfur fuel oil, which historically has been priced at a discount to Brent. This secure supply enables high facility utilization rates, driving down production costs and providing a crucial edge over competitors reliance on

internal refinery operations for feedstock supply. With Luberef's asset scale, high utilization of 91% in 2023, reliable operations with a top quartile operation availability of 98%, low energy cost and a focus on operational excellence, unit production costs have been reduced to SAR 392/MT in 2023 compared to SAR 439/MT in 2022.

Additionally, with Luberef's facilities being located in the Kingdom, a key base oils market, and in proximity to other key base oil markets including the UAE and India, the strategically advantaged locations in Yanbu

and Jeddah lead to lower shipping costs and faster access to customers in key markets. Furthermore, Luberef enjoys long-standing partnerships with leading local and regional lubricant customers, including Petro Lube, APSCO and Shell Lubricating Oil Company Limited. These partnerships solidify our market presence and facilitate continued growth.

Maintaining Operational Excellence and Financial Discipline

Operational excellence and financial discipline are core strategic tenets of Luberef. We foster a culture of zero harm through international safety standards and regular employee training programs, as evidenced by our 0.0 Total Recordable Incident Rate (TRIR) in 2023. Additionally, we maintain a prudent financial approach with low gearing, controlled capital expenditures, and rigorous resource allocation processes for growth projects.

Focus on High-Margin and Specialty Products

Luberef transforms low-value Reduced Crude Oil (RCO) into high-margin, high-value base oils. We consistently generate premium crack margins both domestically and on exports, exceeding industry benchmarks with a range of SAR 375 to SAR 750 per metric ton for domestic sales. Over the past ten years, our average base oil crack margin has been around SAR 1,856 per metric ton, solidifying our focus on value creation. Luberef also produces specialty products including

extracts, wax and drilling fluids which strategically help Luberef to meet the specific needs of its customers and draw in more sales. Luberef is looking into producing white oil in house and marketing it globally. In this regard, Luberef is currently working with key industrial players to make the overall proposition compelling.

Future Projects

Yanbu Growth II Expansion

The Yanbu Growth II Expansion marks a transformative chapter for Luberef, aiming to unlock further potential from the Yanbu facility and redefine the product portfolio. By optimizing existing units, Luberef will maximize production capacity, solidifying its position as the pre-eminent Base Oil supplier. With the introduction of Group III base oils to the company’s product portfolio, Luberef will

be well positioned to cater to the growing demand for high quality GIII base oils and further strengthen its competitive edge. The project targets to increase the Yanbu facility Base Oil production capacity to approximately 1.3 million MT per annum in 2025 (270 thousand for Group I, 815 thousand for Group II and 175 thousand for Group III). The expansion will allow flexibility for additional

Group II and Group III base oils based on market demand through the expected ability to switch between the production of Group II and Group III base oils. The Yanbu facility is expected to have the capability to produce up to 670 thousand MT of Group III base oils with no Group II production or 1,120 thousand MT of Group II base oils with no Group III base oil production.

Engineering, Procurement, and Construction (EPC) contract with Petrojet

In 2023, Luberef has awarded a SAR 555 million Saudi riyals (\$148.55 million) Engineering, Procurement and Construction (EPC) contract to Egypt’s Petrojet for Yanbu growth II expansion project, which aims to expand the Yanbu facility’s base oils (Group II and Group

III) production capacity to 1.3 million MT per annum by 2025. Petrojet will carry out the execution for the Yanbu Growth II expansion project. The project will further enable Luberef to flexibly produce Group-II and Group-III base oils based on market demands.

As of 2023 end, 61% of the detailed engineering designs had been completed and other EPC activities commenced for the project.

Main Project Package

Expansion and optimization of existing ISO de-waxing unit:	Expansion and upgrade of existing HCU:	Expansion of existing VDU:
19MBD	26MBD	50MBD
↓	↓	↓
29MBD	35MBD	65MBD



Business Transformation Initiative

Luberef’s business transformation program was initiated in 2021 as part of Saudi Aramco’s transformation initiative for its joint ventures.

Under the program, Luberef aims to realize the maximum potential of its world class facility in Yanbu, by focusing on the following initiatives:

• Increase

Capacity of base oil production.

• Generate

Value through synergies within Saudi Aramco’s systems.

• Reduce

Operational expenditure by targeting operational efficiencies.

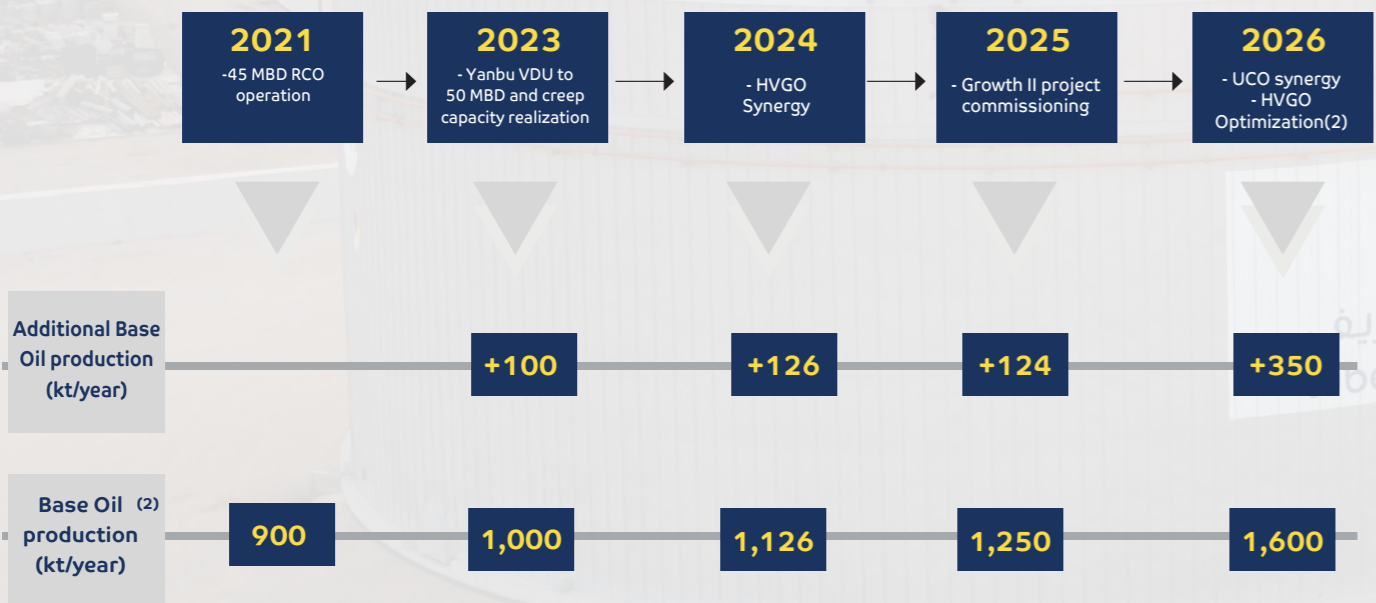
As part of the program, Luberef continues to seek additional feedstocks with the highest upgrade potential to be processed at its process units which have spare capacity. In 2023, with the additional RCO agreement, the vacuum distillation unit was set to operate at its maximum potential capacity of 50 MBD before the commissioning of the Yanbu Growth II project. In 2023, Luberef has also started securing additional feedstock for the second unit in the GII base oil production process with the additional VGO

agreement announced in April 2023.

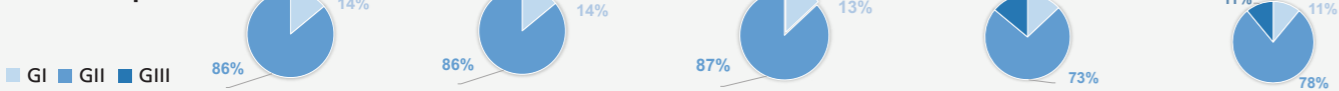
Furthermore, the Company is exploring additional feedstock similar to VGO but with different properties such as heavy VGO from nearby facilities. This will allow Luberef to adjust its GII base oil offerings to meet the desired demand from the highest netback markets. By successfully securing additional VGO, Luberef will be able to operate the hydrocracker unit at its maximum potential capacity until the commissioning of the Yanbu Growth II project.

Luberef’s business transformation journey will not end with the commissioning of the Growth II project, as the Company has identified potential synergies to explore upon project completion. These initiatives will aim to ensure all units in the base oil production process are operating at full capacity, which can be achieved by securing additional VGO streams to the hydrocracker and UCO to the iso de-waxing unit, which in turn will increase the production of GII and GIII base oils.

Transformation Potential of Yanbu facility ⁽¹⁾

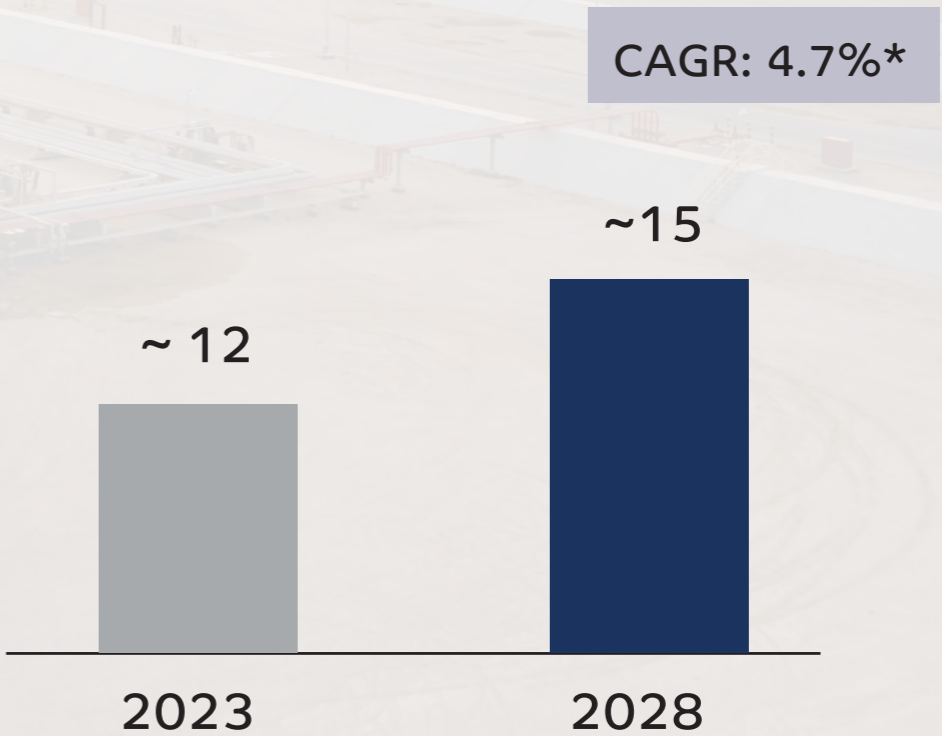


Product Split



(1) Production is based on potential available feedstock and excludes synergies with the Jeddah facility.
(2) Optimization step switches hydrocracker operation and GII operation and GIII is produced utilizing UCO feed.

Group II & III Demand Globally (Mn MT)



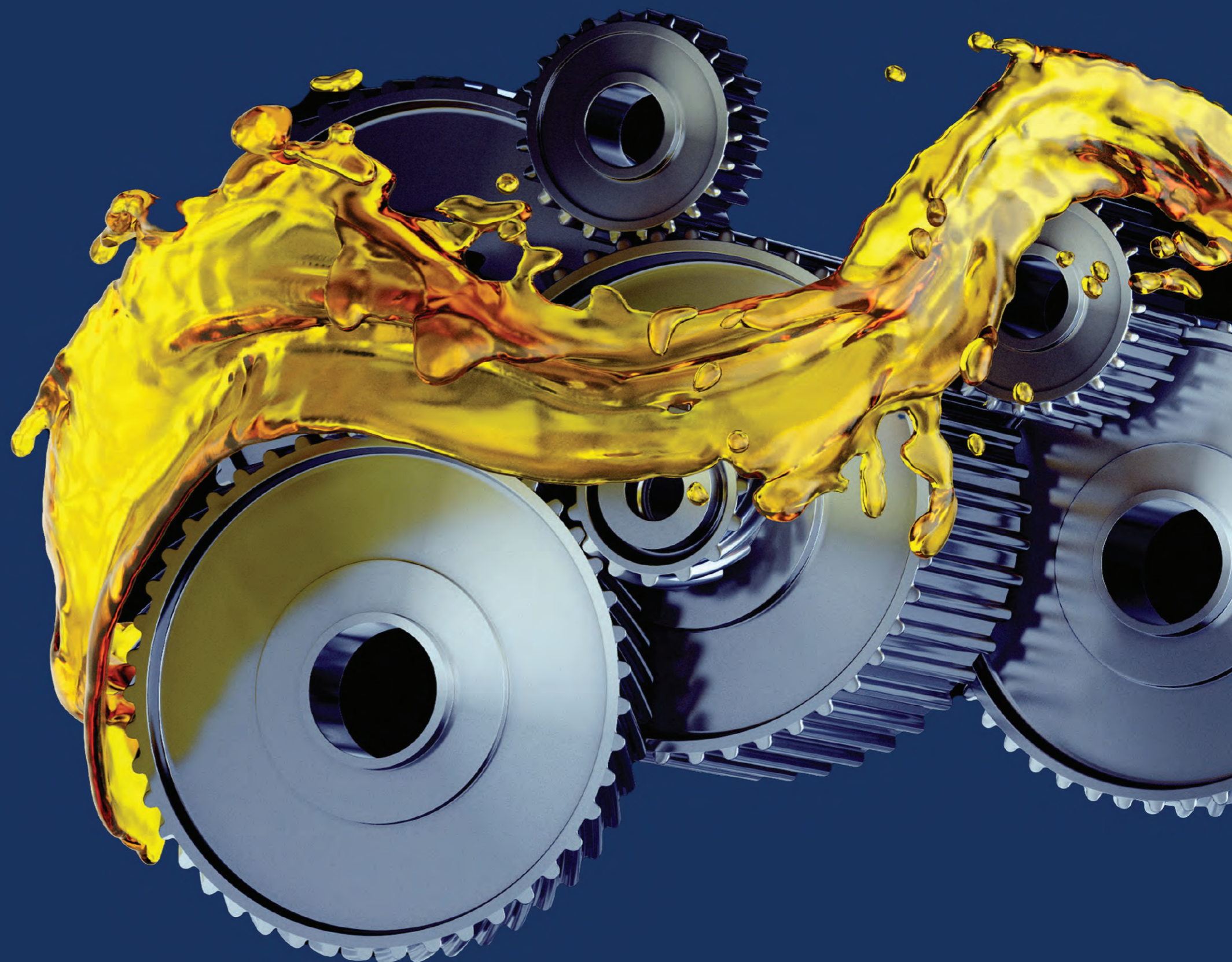
* The source for CAGR is IHS Global.

Results and Performance

Key 2023 Metrics

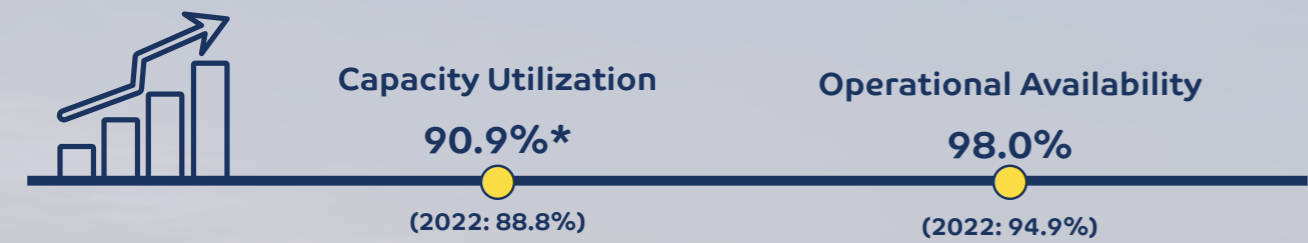
CFO's Message

Financial Performance



Key 2023 Metrics

Operations



Operating Capacity



Base Oil Production



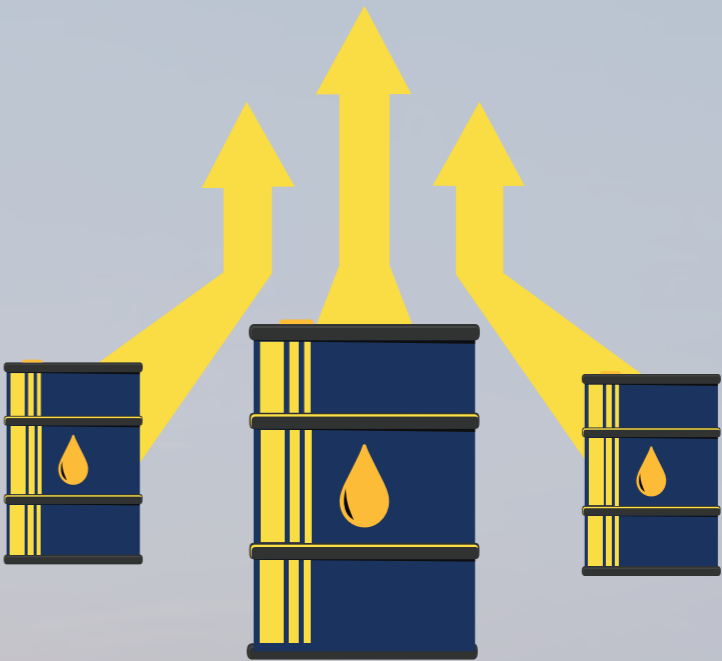
Sales Volumes for Base Oil



* Capacity utilization based on production capacity of 1,345,000 MT since the capacity enhancement was completed later during the year.

** Luberef own products only.

*** Refers to sales conducted by Aramco Base Oil Alliance members (S-Oil and Motiva) in the Company’s zone and base oil imported and sold in the local market by the Company. It includes minimal Alliance Group I base oil.



Sales Volumes for byproducts
2,550,289 MT
(2022: 2,563,703 MT)



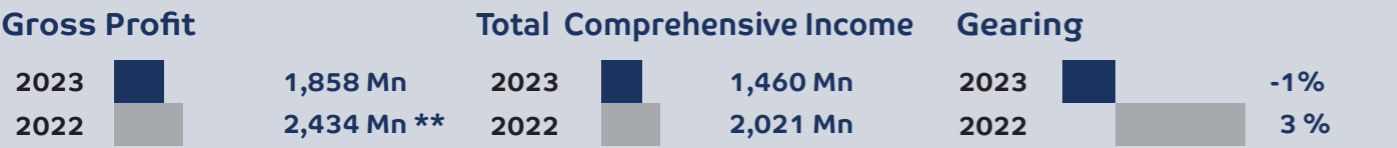
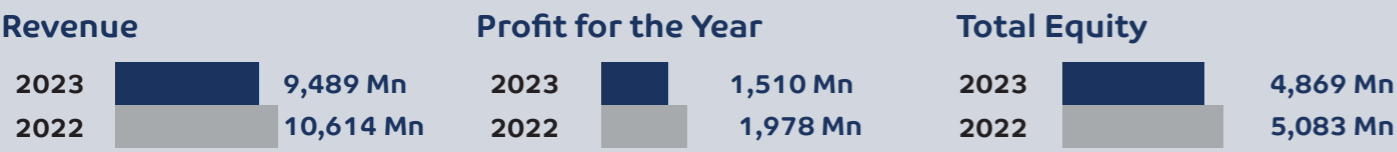
Crack Margins

2,068 SAR/MT
(2022: 2,484 SAR/MT)

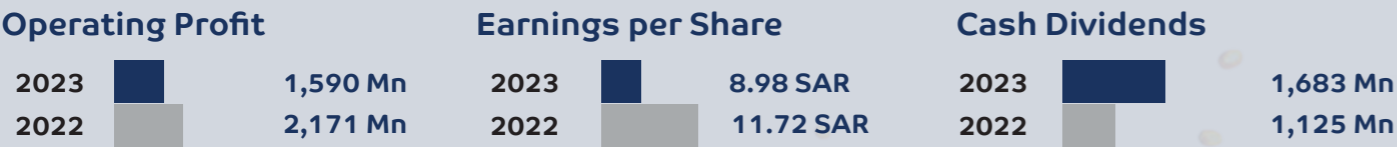
Margins from byproducts

22 SAR/MT
(2022: 96 SAR/MT)

Financial



** Reinstated



Total Recordable Incident Rate (TRIR)

Zero Incidents

Flaring Reduction

4%
vs. previous year



CFO's Message



Despite this, we have delivered Luberef's second highest net income in its 46-year history, generated its highest free cash flow ever, and built a strong balance sheet. This is a true testament to Luberef's uniqueness.

Net income:

SAR 1,510 Mn

Highest free cash flow in
company history of:

SAR 2,108 Mn

Dear Shareholders,

It gives me great honor to share with you Luberef's financial performance in 2023, a year which highlighted Luberef's unique business model which excels at cash generation. With normalizing margins and mixed economic outlooks, it was set to be a challenging year. Despite this, we have delivered Luberef's second highest net income in its 46-year history, generated its highest free

cash flow ever, and built a strong balance sheet. This is a true testament to Luberef's uniqueness.

Base oil crack margins were healthy in the first half of 2023 as they remained above historical averages, but were lower than values recorded at the end of 2022. In the third quarter, base oil margins were pressured due to a global shortage in high sulfur fuel oil which impacted our feedstock

price. This shortage stemmed from the OPEC oil cut which was focused on the type of oils that produce high sulfur fuel oil. Fuel oil prices normalized in the 4th quarter which resulted in a healthier crack margin environment for base oils.

Our Base Oil sales and production volumes have grown year on year to record levels as we continue to execute on our transformation initiatives. This has translated

in a net income of SAR 1,510 Mn, the second highest in our Company's history. Our 2023 performance has resulted in a ROACE of 30% which is remarkable for the industry, and a gearing ratio of (-1%) after dividend distributions. We have also generated the highest free cash flow in our Company's history of SAR 2,108 Mn, which supported the Board of Directors' recommendation to declare a second half dividend of SAR 5.0

for 2023 in line with the approved dividend policy.

As we continue to execute within our financial framework, maintain our leadership in low cost of production and operate our high cash conversion units safely and reliably, we will continue to create value for our shareholders.

Mohammed Al Nafea
Chief Financial Officer

Financial Performance:

Luberef’s financial results reflect the underlying fundamental strengths of its business model and the rich experience and expertise of the management team that is

steering Luberef forwards. In 2020, Luberef’s performance was deeply impacted due to the pandemic-induced economic slowdown. However, Luberef’s performance has shown

significant improvement in the last three years, driven by the post-pandemic recovery, healthy crack margins and high capacity utilization.

Business Results (SAR Mn)

Description	2019	2020	2021	2022	2023	% Change
Sales	5,620.4	4,393.5	8,846.7	10,613.9	9,488.7	(11%)
Cost of Sales	(5,414.1)	(3,978.6)	(6,804.9)	(8,180.2) *	(7,630.3)	(7%)
Gross Profit	206.3	414.9	2,041.8	2,433.7 *	1,858.4	(24%)
Operating Profit	(57.6)	149.0	1,755.6	2,171.1	1,590.3	(27%)
Net Profit for the Year	(140.6)	81.1	1,502.5	1,978.1	1,509.6	(24%)
Total Comprehensive income for the Year	(106.6)	114.7	1,470.5	2,020.7	1,460.4	(28%)

* Reinstated

Comparison of Assets and Liabilities (SAR Mn)

Description	2019	2020	2021	2022	2023	% Change
Current Assets	1,491.6	1,793.7	3,108.4	3,694.9	3,885.4	5%
Non-Current Assets	5,663.4	5,518.7	5,255.9	4,950.0	4,971.1	0.4%
Total Assets	7,155.1	7,312.4	8,364.3	8,644.8	8,856.5	2%
Total Equity	3,596.9	3,711.6	4,244.5	5,082.8	4,868.8	(4%)
Current Liabilities	1,775.1	2,050.6	1,493.8	1,216.4	1,701.3	38%
Non-Current Liabilities	1,783.1	1,550.2	2,626.0	2,345.6	2,286.4	(3%)
Total Liabilities	3,558.2	3,600.8	4,119.8	3,562.0	3,987.7	12%
Total Equity and Liabilities	7,155.1	7,312.4	8,364.3	8,644.8	8,856.5	2%

Statement of Cash Flows (SAR Mn)

Description	2019	2020	2021	2022	2023	% Change
(Loss)/Profit before Zakat and Income Tax	(137.9)	81.9	1,691.4	2,131.6	1,579.0	(26%)
Cash Generated from Operating Activities	128.4	334.3	1,844.7	2,254.7	2,334.5	4%
Net Cash Inflow from Operating Activities	21.5	311.3	1,814.6	2,016.9	2,321.6	15%
Net Cash (Outflow)/Inflow Generated from Investing Activities	(314.0)	11.3	(221.6)	(48.8)	(1,691.0)	3,363%
Net Cash (Outflow)/Inflow Generated from Financing Activities	(447.3)	171.2	(916.4)	(1,405.4)	(1,996.8)	42%
Net (Decrease)/Increase in Cash and Cash Equivalents	739.8	493.8	676.6	562.6	(1,366.1)	(343%)
Cash and Cash Equivalents at the Beginning of the Year	918.9	179.0	672.9	1,349.5	1,912.1	42%
Cash and Cash Equivalents as at Reporting Date	179.0	672.9	1,349.5	1,912.1	546.0	(71%)

Dividends Declared and Distributed (SAR Mn)

Description	2019	2020	2021	2022	2023	% Change
Net Profit/Loss before Other Comprehensive income	(140.6)	81.1	1,502.5	1,978.1	1,509.6	(24%)
Dividends Declared	0	0.0	1,023.4	1,263.7	1,682.6	33%
Dividends Paid after Zakat and Tax Deduction	0	0.0	937.5	1,125.0	1,682.6	50%

REVENUE

In 2023, Luberef generated SAR 9,488.7 Mn in revenue compared to SAR 10,613.9 Mn in 2022, a decrease of 11% YOY. Compared to 2022, base oil sales volumes, including alliance sales, increased by 61,604 MT, or 5%, while price decreased by 13%. Byproducts and white products combined sales volume decreased by 0.5%, while price decreased by 12%.

OPERATING PROFIT

In 2023, Luberef had operating profit of SAR 1,590.3 Mn compared to SAR 2,171.1 Mn in 2022, a decrease of 27% YOY. This was due to decreased product prices, which was partially offset by increased base oil sales volume and lower feedstock prices.

ROACE

In 2023, Luberef's ROACE was 30%, compared to 39% in 2022. While the numerator NOPAT (Net Operating Profit After Tax) decreased by SAR 497 Mn (25%) due to lower operating profit, the average capital employed was also reduced by SAR 148 Mn, or 3%, due to higher cash balance and repayment of long-term loans.

Gearing

Luberef's gearing ratio stood at -1% as on December 31, 2023, compared to 3% during the same period in 2022. The decrease in gearing resulted from repayment of loans and increased cash balance.

Overview of Total Debt Portfolio as of December 31, 2023 (SAR 000)

SAR	Original Loan Amount	Beginning Balance	Additions During the Year	Repayments During the Year	Non-cash Additions During the Year	Ending Balance	Period of the Loans (Years)
Long Term	2,250,000	2,104,860	0	(297,086)	134,330	1,942,104	9
Finance Lease		107,791	88,554	(17,106)	7,031	186,270	
Total	2,250,000	2,212,651	88,554	(314,192)	141,298	2,128,374	

Total Debt Portfolio as of December 31, 2023 Broken Down by Lender

Lending Party	Amounts in (SAR 000)	%
Banks	1,942,104	91%
Financial Leases	186,270	9%
Total	2,128,374	100%



Below is a statement showing the amount of statutory levies both paid and outstanding until the end of the financial year 2023.

	2023		2022	
	Paid	Outstanding	Paid	Outstanding
Item (SAR 000)				
Zakat	21,044	69,346	12,525	28,730
Income Taxes	99,195	9,981	221,453	101,476
Other*	93,467	2,608	91,634	1,756
Total	213,706	81,936	325,612	131,962

*Including, but not limited to GOSI, VAT, customs duties, withholding tax, labor office fees and visa and passport costs.

Reflecting Luberef’s commitment to its employees, below is a statement as to the value of any investments made or any reserves set up for the benefit of the employees of Luberef.

Item (SAR 000)	2023	2022	Change
End Of Service Benefit	136,610	135,079	1,532
Post-Retirement Medical Benefits	192,569	128,048	64,521
Long-Rerm Service Awards	610	903	(292)
Early Retirement Program	-	12,538	(12,538)
Savings Plan	64,264	57,165	7,099
Total	394,053	333,732	60,321

Current Assets:
Current assets increased from SAR 3,694.9 Mn to SAR 3,885.4 Mn, or 5%, mainly due to increased cash balance and product inventories.

Non-Current Assets:
Non-current assets decreased slightly, from SAR 4,950 Mn to 4,971.1 Mn (0.4%), primarily due to depreciation and amortization. This was offset by additions to capital projects in progress and right-of-use assets.

Current Liabilities:
Current liabilities increased from SAR 1,216.4 Mn to SAR 1,701.3 Mn, or 40%, due to an increase in payables and accruals and the reclassification of long-term loans. This was offset by reduced zakat and income tax payables.

Non-Current Liabilities:
Non-current liabilities decreased from SAR 2,345.6 Mn to SAR 2,286.37 Mn, or -3%, mainly due the repayment of long-term loans and the reclassification of long-term loans to current liabilities payable in 2024.

Free Cash Flow (FCF)
Free cash flow increased by SAR 139.4 Mn (from 1,968.9 Mn to 2,108.3 Mn) due to an improvement in cash from operations of SAR 304.8 Mn. This was partially offset by capex of SAR 165.4 Mn for the Yanbu Growth II project and development of the Jeddah facility.

Net Free Cash Flow From Financing Activities
Net free cash flow from financing activities increased by SAR 591.3 Mn compared to 2022, mainly due to higher dividend payments of SAR 557.6 Mn, repayment of long-term loans and increased financing costs.

Environmental, Social and Governance (ESG)

Luberef's Approach to Sustainability

Environmental Stewardship

Safety, Talent Management and

Social Initiatives

Governance



Luberef's Approach to Sustainability

Positively Impacting People and the Planet

Luberef harnesses its leadership in downstream businesses and its unparalleled competitive advantage to fuel sustainable growth and create enduring value for its stakeholders. This dedication to a better future is woven into our strategic framework, where Environmental, Social, and Governance (ESG) considerations are core drivers of operational excellence. By seamlessly integrating sustainability principles and practices across every facet of our business and value chain, Luberef ensures responsible operations, enhanced accountability, and maximized value creation for our stakeholders. This commitment fuels our journey towards a cleaner and more equitable future, while simultaneously strengthening our competitive edge. Sustainability is a pillar of the Kingdom's Vision 2030, and Luberef prides itself on working towards making this Vision a reality. As a business and a

responsible corporate citizen, Luberef is committed to making a meaningful difference to the Kingdom of Saudi Arabia and its people through driving the industry forward, ensuring that sustainability is central to its purpose, fostering its talented and diverse workforce and by linking its actions to the holistic and sustainable wellbeing of people and the planet. Luberef is building for the future by proactively linking its actions to the holistic and sustainable wellbeing of people and the planet. This commitment strengthens the foundations of our long-term success and reinforces our reputation as a responsible business. We take accountability for our decisions and rigorously evaluate their long-term implications. To further solidify this commitment, we are developing a robust environmental, social,

and governance (ESG) framework. This framework will systematically integrate sustainability principles and practices into every aspect of our business, ensuring long-term value creation for our stakeholders, employees, and the communities we serve.



Luberef's Philosophy on Environment, Health, and Safety

Luberef prioritizes environmental, health, and safety (EHS) across its operations, aiming to protect its workforce, prevent property losses, and ensure business continuity while adapting to evolving market and operating environments. This commitment is reflected in comprehensive Company standards that embrace a continuous improvement approach in line with common industry best practices.

Stringent operational safety procedures, underpinned by rigorous enforcement, characterize Luberef's robust EHS standards. These rigorous procedures are complemented by established crisis management and business continuity plans designed to bolster operational resilience, enabling a swift and orderly response to internal and external incidents.

A sustainability framework encompassing environmental responsibility and employee/community well-being is actively under development at Luberef.

Luberef initiatives include tracking performance to minimize emissions and flaring. Total flaring and energy efficiency form key components of Luberef's environmental index KPI (key performance indicator), which is part of Luberef's broader corporate KPIs.

Total flaring targets are reviewed and set annually, taking into consideration both the technical feasibility and the historical performance of each facility. We are proud to have achieved a 4% reduction, building on last year's 70% reduction in flaring, through enhanced monitoring and troubleshooting programs. Additionally, we are actively exploring opportunities and collaborations for advancements in green hydrogen and other

environmentally sustainable technologies.

Luberef's environmental policy outlines ambitious goals, concrete actions, and a robust performance monitoring and measurement framework. Our environmental stance is further strengthened by our collaborative relationship with Saudi Aramco. Moreover, we are actively developing a long-term strategy to achieve net-zero emissions by 2050.

This year Luberef has taken concrete steps in its net-zero journey by participating in the largest-ever voluntary carbon credit auction that was arranged by the Regional Voluntary Carbon Market Company (RVCMC). The event successfully auctioned over 2.2 million tonnes of carbon credits.

Overall, Luberef is deeply committed to EHS principles, actively implementing robust policies and procedures to foster a safe, environmentally conscious, and sustainable future for the company, its employees, and the broader community.

Environmental Stewardship

As part of Luberef’s sustainability efforts, Luberef strives to meet industry standards and is certified for the ISO 14001:2015 Environmental Management Systems and ISO 50001:2018 Standard for Energy Management Systems. The testing laboratories at both the Yanbu and Jeddah facilities are accredited by the American Association for Laboratory Accreditation (A2LA) for technical compliance in chemical testing (ISO/IEC 17025:2017). Luberef recognizes its role in shaping a sustainable future and acknowledges the urgency of addressing climate change. The company is committed to playing its part in addressing climate change. Luberef will continue to monitor and report on its progress going forward to reduce its impact on the environment.



Safety, Talent Management and Social Initiatives

Luberef’s Safety Management System (SMS) has been established since 2011 based on the Dupont Sustainable Solutions program and is focused on safe operations. The systems “Safety First” approach covers all aspects of Luberef’s business activities, which help establish a safety culture that has resulted in a TRIR (Total Recordable Incident Rate) of 0.0 for the fourth successive year in 2023 and an LTI (Lost Time Injury) of more than 35 million man-hours across our facilities.

Talent Engagement and Development

Luberef cultivates a highly engaged and empowered workforce through comprehensive talent management initiatives. A competitive incentive structure and robust training programs motivate employees and foster a diverse and inclusive workplace. We prioritize employee well-being with programs like the home ownership initiative for Saudi employees and financial planning assistance. Continuous safety education programs, including e-learning, safety orientation and training plans, ensure a proactive approach to risk prevention. We invest in employee development through regular training and development initiatives and encourage continuous learning by offering financial support for certifications and exam leave. Luberef has a comprehensive incentive structure and training programs to attract and retain talent, motivate its employees, and create an empowered workplace that respects diversity of experiences and capabilities. Luberef has a home ownership program for its Saudi employees, enabling them to own suitable housing units and another initiative that assists employees in financial savings and investments.

The other key highlights are as follows:

- Programs on workers’ safety such as e-learning, safety orientation and a training plan.
- Regular investment in employee training and development related initiatives.
- Other monetary and nonmonetary support for educational activities such as certification fee reimbursement and exam leave.



Saudization Requirements and Nitaqat

Like all companies in the Kingdom, Luberef is subject to Saudization requirements. Saudization is a government policy of the KSA that encourages companies to preferentially hire Saudi nationals. The percentage of Saudi nationals employed is calculated for each company under the Nitaqat system. The Nitaqat system places Luberef, based on its Saudization level, in different zones/ classifications, the highest of which is Platinum. The following data illustrates the compliance level of Luberef with the Saudization requirements and its classification in the Nitaqat program as of 31 December 2023.

Classification: Basic Materials
Nationalization rate : 84.36% as of 31 December
Current Nitaqat level: Platinum

Luberef's Corporate Social Responsibility Initiatives for 2023

1 Green Homeland Initiative

In alignment with Saudi Arabia's Vision 2030 and in partnership with the Social Responsibility Association of Makkah, Luberef proudly sponsored the planting of 1 thousand neem trees in the eastern forest as part of the «Green Homeland» and Saudi green initiatives. Over 35 employee volunteers and their families participated in this environmental project.



2 Kaswa Alsaida Aisha Initiative

For the second consecutive year, Luberef was honored to participate as a silver sponsor of Kaswa Alsaida Aisha, a program dedicated to providing Eid clothing for families in need. This initiative operates through community contributions of new and used clothing. We extend our gratitude to our employee volunteers who contributed their time and effort to the initiative. Luberef's total sponsorship amounted to SAR 75 thousand.



3 Back to School Initiative

In partnership with the Waqf Ma'an endowment, Luberef proudly renewed its support for the Back-to-School Initiative for a second year in a row. Our employee volunteers organized and equipped 400 school bags with essential supplies for children from low-income families, ensuring they have a successful school year. Our total sponsorship amounted to SAR 64 thousand.



4 My Store Initiative

Aligned with Luberef's commitment to corporate social responsibility, we collaborated with the Majid Society for Development and Social Services to launch the «My Store» initiative. This program specifically supports existing small businesses in the handcrafts and creative industries, empowering entrepreneurs to develop and build an online presence. The initiative's launch during Entrepreneurship Week highlights our dedication to fostering a thriving entrepreneurial ecosystem.



5 Let's Walk the Walk Together 2023

For the fourth consecutive year, we are proud to participate as a gold sponsor in the «Let's Walk the Walk Together» initiative held at the Jeddah Corniche Waterfront. This program, organized in collaboration with the Help Center, celebrates the skills and athletic abilities of people with disabilities and promotes awareness within our society. Our total sponsorship amounted to SAR 63 thousand.



6 Supporting Education in the MADAC Academy Initiative

Luberef is committed to supporting educational initiatives that empower future generations. Through a generous contribution of SAR 2.4 Mn (SAR 600 thousand a year starting from 2022), Luberef sponsored

the MADAC Academy Education Endowment Project in the Medina Province, enabling the establishment of a high-tech smart lab equipped with the latest technologies which was opened in 2023.



7 Ramadan Food Basket Initiative

In collaboration with Waqf Maan for Society Development, Luberef and its employees have been actively contributing to the distribution of Ramadan food baskets for five consecutive years. This initiative provides essential food supplies to over 2,500 low-income families, orphan families, and people with disabilities in the Makkah region. Luberef's total contribution amounted to SAR 75 thousand.



8 The Destination Program Initiative

Together with Waqf Maan for Community Development, Luberef sponsored the "Destination Program" initiative. This program aims to train and empower young women for the labor market through an integrated training application journey. Our sponsorship of SAR 219 thousand demonstrates our commitment to fostering female empowerment and career development.

9 Launching the Corporate Volunteering Program "World of Giving"

In celebration of International Volunteer Day and as part of its corporate social responsibility, Luberef proudly launched the internal volunteer program, "World of Giving." This initiative aligns with our Social Responsibility Program and Vision 2030's emphasis on volunteer work, promoting the spirit of giving back to our communities.



10 Luberef Tournament 2023

Recognizing the importance of health and well-being, Luberef sponsored its employees' participation in our 2023 Football Tournament. Our support extended to awarding the first-place winners, fostering a sense of camaraderie and sportsmanship among our team.

Governance

Luberef upholds the highest global standards of corporate governance, fostering a culture of transparency, accountability, and stakeholder value creation. Our diverse and experienced Board of Directors, composed of six members with varying backgrounds and perspectives, including two independent members, one of whom is female, plays a pivotal role in ensuring sound decision-making and robust oversight. This diversity cultivates a dynamic boardroom environment, where various viewpoints are embraced and considered, leading to enhanced outcomes.

Luberef strives to operate its business adhering to the highest ethical standards and practices. Luberef's Professional Conduct Policy guides its business, providing a framework for ethical conduct and integrity throughout the operation of the business. Luberef encourages and expects employees to directly report suspected violations of Luberef's Code of Conduct through appropriate channels.

By embracing these principles, Luberef fosters a governance framework that promotes long-term success and inspires trust among our stakeholders.



Risk Management

Risk Management

Risk Factors



Risk Management

Risk Management Systems and Approach

Luberef navigates a dynamic lubricants landscape marked by fluctuating market prices, evolving regulations, and competitive pressures. Informed risk-taking is crucial for success. We proactively manage strategic, operational, and financial risks through continuous assessment and strategic mitigation measures. Every decision balances potential rewards against associated risks, ensuring sustainable growth and value creation for our stakeholders.

Risk Assessment, Measurement and Management



Process and Framework of Risk Management at Luberef

Luberef’s risk management policies are established to identify and analyze the risks faced by Luberef, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Luberef’s activities.

The Board of Directors provides risk oversight as a component of its strategic leadership. The Board Audit Committee oversees the risk management framework and monitors specific risks. The primary role of the Board Audit Committee is to monitor overall management of risks to assist the Board of Directors with establishing risk tolerance, guiding strategy, overseeing ESG & operational risks, and fostering a risk-aware culture supported by an independent audit.

Luberef’s Enterprise Risk Management (ERM) framework follows three lines of defence. Business units and support teams actively identify and address risks within their areas as the first line. Dedicated risk management is the second line to monitor and report overall risk. As the third line, an independent Internal Audit ensures the effectiveness of risk controls.

Through training and established standards, Luberef empowers employees to fulfil their roles in risk management. Luberef is continuously monitoring evolving scenarios and any change in the risk management policies will be reflected in the future reporting periods.

- 1 On the basis of consultation and discussion, the Board, with the help of the Management team, define the scope and context of risk assessment and management activities.
- 2 Identification of risks using internal and external frameworks and on the basis of the expertise of the Board of Directors and the Management team.
- 3 Monitoring and assessment of risks using transparent and robust methodologies without influencing outcomes or inferences.
- 4 If required and as a best practice, engaging with independent assurance providers regarding the effectiveness of internal control systems.
- 5 Reporting risks, providing guidance to teams and evaluating the processes for robustness and effectiveness.
- 6 Keeping track of industry evolution and the macro environment and adjusting risk assessment and management frameworks proactively.
- 7 Ongoing discussion on changes in controllable and uncontrollable factors, the implementation of risk related systems and process, with objective measurement and assessment of outcomes.



Risk Factors

Risks Related to Luberef's Operations

Luberef's business success, financial performance and profitability are impacted by several factors which are related to the operations of Luberef.

Risks relating to the changes in crack margins – Luberef

is impacted by the difference between the prices of base oil or byproducts and the prices of feedstock, known as the base oil crack margin or byproduct crack margin, respectively. Feedstock prices are affected by many factors such as global supply and demand, oil prices, market expectations of future supply and demand, global political conditions, geopolitical conditions and variables including availability of feedstock and overall economic conditions.

Risks relating to the Jeddah facility closure and reliance on one facility in the future - As

per Luberef's business plan, the Jeddah facility will close in 2026. The Jeddah facility's closure may include a full shutdown of its operations and its demolition or mothballing. The demolition of a facility such as the Jeddah facility might cause an environmental impact and damage to the environment of the site. If that occurs, Luberef could be liable to rectify such impact or damage.

Risks relating to revenue concentration in certain geographies - Luberef

has a significant proportion of its operations in, and derives a significant amount of its revenue from, the Kingdom and the MENA region. Luberef sells directly in five countries, namely the UAE, Egypt, Jordan, Oman and Pakistan, and sells indirectly through distributors in South Africa, Tanzania and Sudan. Luberef sells in four countries through S-Oil, namely France, India, Singapore and Turkey, and sells in the Americas through Motiva. Luberef's financial performance will be affected by the conditions in these markets.

Other Non-Operational Risks

- Risks related the macroeconomic environment and base oils industry which could impact demand and the pricing of Luberef's products.

- Risks related to external factors which are broadly uncontrollable in nature, such as the geopolitical environment and factors related to global economic growth.

- Risks such as legal and regulatory risks, risks related to the Kingdom and MENA region, and risks related to abrupt and unexpected changes in rules and policies.



Corporate Governance

Board of Directors

Senior Executives

Board Structure

Audit Committee Report

Remuneration and Nomination
Committee

Compensation and Other Interests

Governance, Risk and Compliance



Board of Directors

Luberef is currently managed by a Board consisting of six Directors who were appointed by the Conversion Assembly of shareholders on August 14, 2022, for a period of five years.

The Board has the broadest powers to manage Luberef to achieve its objectives.

The Board of Directors of Luberef provides leadership guidance and support to the senior management and helps with inputs on strategic leadership and guidance, along with a continuous assessment of the market environment, opportunities and risk management framework of Luberef. The Board also oversees Luberef’s governance, risk and compliance functions.



Ibrahim Q. Al Buainain
Chairperson
(Non-Executive Director)

Ibrahim Q. Al Buainain,56, is Saudi Aramco’s Executive Vice President of Global Manufacturing. He was the Senior Vice President of Sales, Trading & Supply Planning, overseeing Saudi Aramco’s global trading and sales of crude oil and LPG, as well as its hydrocarbon supply planning network, which includes the company’s domestic sales of refined products and feedstock. Al Buainain is an oil & gas veteran with a track record of 34 years in leadership and management experience.

Al Buainain was appointed Chairperson of Luberef in August, 2022. With over 34 years of diversified experience in the oil and gas industry, Al Buainain

also serves as Chairman of the Board of PetroRabigh. He is also a board member of ADC, Regional Voluntary Carbon Market Company (RVCMC) and at several of Aramco’s subsidiaries.

Education:

- B.S. degree in Mechanical Engineering.
- MBA in Global Management.
- M.S. degree in Innovation and Global Leadership from Massachusetts Institute of Technology.

Other Current Positions:

- Chairman of Rabigh Refining & Petrochemical Company (Petro Rabigh), a listed joint stock company operating in

- petrochemicals.
- Chairman of Aramco Services Company, a private shareholding company operating in oil and gas services in the United States of America.
- Chairman of Aramco Overseas Company, Ltd., a private limited company operating in oil and gas services in The Hague.
- Chairman of Saudi Aramco Asia Company, Ltd., a limited liability company operating in oil and gas services.
- Board member at Aramco Trading Company, a limited liability company, operating in oil and gas.
- Board member at Regional Voluntary Carbon Market Company.
- Board member at Aramco Digital Company, Aramco’s in-house digital and

technology subsidiary of Saudi Aramco.

Selected Previous Positions :

- Chairman of Aramco Trading Limited (London), a UAE limited liability company operating in oil and gas.
- Chairman of Aramco Trading Fujairah FZE, a private corporation with share capital operating in oil and gas.
- Chairman of Saudi Petroleum International, Inc., a private stock corporation operating in oil and gas services.
- Chairman of Aramco Trading Singapore Pte. Ltd., a limited liability company operating in oil and gas.
- Chief executive officer

- at Saudi Aramco Energy Venture Company, a limited liability company operating in oil and gas.
- Chief executive officer at Aramco Trading Company, a limited liability company operating in oil and gas.
- Chief executive officer at Saudi Aramco Asia Company, Ltd., a limited liability company operating in oil and gas.
- Board member at Petredec, a private limited liability company operating in oil and gas services.
- Director at Hyundai Oil, a closed joint stock company operating in oil and gas.
- Director at National Chemicals Carriers Company of Saudi Arabia, a limited liability company operating in marine transport.
- Director at National

Shipping Company of Saudi Arabia, a listed joint stock company operating in marine transport.



Abdulatif Saleh A. Al Shami

Vice Chairperson
(Non-Executive Director)

Abdulatif Saleh A. Al Shami, 61, was appointed Vice Chairperson at Luberef in August, 2022. He was a Yanbu refinery manager at Saudi Aramco, a position he held from 2017 until December 31, 2022. Prior to taking on this role, Al Shami held a number of other roles at Saudi Aramco, including heading major projects and holding a number of positions at various Saudi Aramco gas plants.

Education:

- B.S. degree in electrical engineering from the University of North Carolina.
- Master’s degree in human resource development from the University of Minnesota.

Selected Previous Positions:

- Yanbu refinery manager at Saudi Aramco, from 2017 to 2022.
- Member of the board of directors at Saudi Aramco Mobil Refinery Company, a limited liability company operating in the refinery sector, from 2017 to 2021.
- Yanbu NGL Fractionation Plant manager at Saudi Aramco, 2016.
- Technical support and planning manager at Saudi Aramco, from 2014 to 2015.
- Hawiyah NGL plant manager at Saudi Aramco, from 2014 to 2015.
- Uthmaniyah gas plant manager at Saudi Aramco, from 2011 to 2013.
- Berri gas plant in Jubail, Saudi Aramco, from 2009 to 2010.

- Head of mega-projects at Karan Gas Field, Saudi Aramco, from 2007 to 2008.



Andrew S. Katz

(Non-Executive Director)

Andrew S. Katz, 54, was appointed Director at Luberef in August, 2022. Katz is currently the Vice President of Downstream Growth & Development at Saudi Aramco. He joined Saudi Aramco in 2015 and previously was Managing Director and Global Head of Refining and Chemicals at Standard Chartered Bank in Singapore for nine years. He was previously a chemicals industry investment banker with other notable firms based in London and New York. Katz began his career as a refinery process engineer in the US in 1991.

Education:

- B.S. degree in chemical engineering from the Stevens Institute of Technology.
- MBA in finance and

operations research from the New York University Stern School of Business.

Other Current Positions:

- Vice President, Downstream Growth & Development at Saudi Aramco, since 2023.
- member of the supervisory board of Air BP Aramco in Poland, Since 2022.

Selected Previous Positions:

- Director of the Capital Markets and Relations Department at Saudi Aramco, from 2019 to 2021.
- Director of the Transaction Execution Department for the acquisition of SABIC at Saudi Aramco, from 2018 to 2019.

- Director of the Transaction and Portfolio Management Department at Saudi Aramco, in 2018.
- Director of the Downstream Transaction Services Department at Saudi Aramco, from 2017 to 2018.
- Director of the Chemicals Business Strategy and Development Department at Saudi Aramco, from 2015 to 2016.
- Board Director at TSRC Corporation, a Taiwan-based listed joint-stock company operating in the manufacturing and sale of synthetic rubber products, in 2015.
- Managing Director and Global Head of Chemicals and Refining at Standard Chartered Bank, a company operating in the banking sector, from 2005 to 2014.



Khalid D. Al-Faddagh
PhD, DIC, MSC, Mech. Eng.

(Independent Non-Executive Director)

Khalid D. Al-Faddagh, 68, was appointed Director at Luberef in August, 2022. He is an Ex-Aramco Executive who retired in June 2015 after 32 years of diverse career experience that included duties such as Aramco General Auditor (Chief Audit Executive) and BAC Secretary, President & CEO of a major JV in the Philippines, Board Member in key domestic and overseas joint ventures, engineering and field operations & maintenance, project management, quality control, safety compliance and strategy development.

Education:

- Executive Program (PMD) in Leadership & Strategy from Harvard Business School.
- PhD, DIC, in Mechanical Eng., Applied Mechanics from Imperial College.
- Master of Science in Mechanical Eng., Applied Mechanics from the University of Manchester (UMIST).

Post retirement from Aramco in 2015, activities included assignments at several boards and sub-committees listed below.

Other Current Boards:

- Audit Committee Chairman, Since

September 2022.

- Board Risk Committee Member, Public Investment Fund (PIF), since October 2019.
- Board Audit Committee Member, Roshn (a PIF company), since December 2023.
- Board Audit Committee Member, Rua Alharam Almaki (a PIF company), since February 2023.
- Board Audit Committee Member, Saudi Eksab (a PIF company), since September 2023.
- Board Risk Committee Member, GOSI, since September 2020.
- Board Audit Committee Member, Banque Saudi Fransi, since January 2022.

- Board Audit Committee Member, SPIMACO (Pharmaceutical), since May 2019.
- Board Member and Chairman of the Audit & Risk Committee, Vision Invest, since March 2018.

Selected Previous Positions:

- General Auditor (Chief Audit Executive) at Saudi Aramco – from 2009 to 2015.
- Corporate Planning at Saudi Aramco – from 2007 to 2009.
- President & CEO, Petron Corporation – from 2003 to 2007.
- Engineering, Operation & Maintenance at

- Aramco – from 1983 to 2003.
- Member of the Board of Advisors and Chairman of the Audit & Risk Committee, Eastern Health Cluster, from 2018 to 2023.
- Chairman of the Risk Committee, BUPA Arabia, from 2019 to 2022.
- Risk & Compliance Committee Chairman, ACWA Power, from 2016 to 2022.
- Board Audit Committee Member, SABIC, from 2017 to 2022.
- Independent Audit Committee Member, STC (Saudi Telecom), from 2016 to 2019.
- Chairman of the Audit

- & Risk Committee, Saudi Tabreed, from 2017 to 2019.
- Vice-Chairman of the Audit Oversight Committee, King Fahad University (KFUPM), from 2015 to 2019.
- Shareholders Board Representative, SHAWA Shell, Japan, from 2008 to 2011.
- Board Member, LUBEREF, KSA, from 2007 to 2010.
- Board Member and CEO, PETRON Corporation, Philippines, from 2001 to 2007.



Nabelah Al Tunisi

(Independent Non-Executive Director)

Nabelah AlTunisi, 64, was appointed Director at Luberef in August, 2022. She is currently the President of Viridi MENA. Viridi is a US based company that designs and manufactures fail-safe Lithium-ion battery energy storage systems to create a zero-carbon energy revolution. She has more than 35 years of experience with Saudi Aramco, NEOM and others, where she has held various technical and managerial positions for multiple organizations, including central engineering, project management, and supply chain management.

She is currently a board member at Saudi Arabian Mining Company (Ma’aden) and Dar AlHekma University, a private university in Jeddah.

She was previously the Executive Director of Programs at a government entity operating in project management. Prior to this position, she was the

Energy and Water Managing Director at NEOM. She was the Chief Engineer for Saudi Aramco, responsible for engineering for all above surface oil and gas facilities.

Education:

- B.S. degree in electrical engineering from the University of Portland.
- M.S. degree in electrical engineering from Oregon State University.

Other Current Positions:

- Renumeration and Nomination Committee Chairperson, since September 2022.
- Independent Board Member at Saudi Arabian Mining Company (Maaden), a listed joint stock company operating in the mining sector, since 2020.
- Trustee at Dar Al Hekma University, a private university operating in the education sector, since 2019.

Selected Previous Positions:

- Executive Director of Programs at a government entity operating in project management, from 2019-2023, responsible for the establishment of the Programs Business Unit managing critical management functions including the Project Management Office, project planning and scheduling, cost estimation and cost control management, procurement and contracting, central engineering services, health, safety, and environment, sustainability, risk management, and quality control and performance excellence.
- Board Member at the Saudi Council of Engineers, from 2018 to 2021, a scientific professional body that aims to promote the engineering profession and carry out the necessary procedures to develop and upgrade its standards and the standards of practitioners.

- Managing Director at NEOM, a closed joint stock company operating in the development sector, responsible for building a renewable-based energy system at least cost and establishing a sustainable and cost-effective water supply with zero discharge, from 2018 to 2019.
- Chief Engineer at Saudi Aramco, primarily responsible for Engineering for all above surface oil and gas facilities and the company's advisor and representative on engineering matters, from 2015 to 2018.
- Board Member at Saudi Aramco Total Refining and Petrochemical Company (SATORP), a limited liability company operating in refining and petrochemicals, from 2012 to 2016.
- General Manager responsible for oil and gas projects at Saudi Aramco, responsible for the execution of a financial program worth \$41 billion to develop mega oil and gas projects such as Manifa, Karan, Shaybah,

- Wasit, Hasbah and Arabiyah, RT Clean Fuels, and all other Northern area onshore and offshore facilities, from 2012 to 2015.
- Manager of Materials Planning and System Department at Saudi Aramco, responsible for part of the supply chain at Aramco, namely the administration, operating plan, business plan, and the coordination of several strategic initiatives to optimize the supply chain functions for all Saudi Aramco operations and enhance key performance indicators, from 2010 to 2012.
- Head of the Technology Service Department at Saudi Aramco, Saudi Aramco, a U.S.-based subsidiary named Aramco Services Company (ASC) in Houston, Texas, which oversees the company's engineering, information technology, quality services and environmental activities in the Western Hemisphere, from 2009 to 2010.
- Director of FEED for SADARA project at Saudi Aramco based

- in Houston, Texas, from 2006 to 2009. SADARA is a joint venture between Saudi Aramco and DOW Chemicals to build the largest integrated hydrocarbon and petrochemical facility in a single phase, involving 26 plants at a cost of over \$20 Billion dollars.
- Board Member at the Petron Corporation, a closed joint stock company located in the Philippines operating in the petroleum sector, from 2006 to 2008.



Mohammed Faiz S. AlAhmari
(Non-Executive Director)

Mohammed Faiz S. AlAhmari, 57, was appointed Director at Luberef in August, 2022. He currently serves as the Chief Financial Officer of Aramco Overseas Company. AlAhmari previously held a number of other roles at Saudi Aramco, including as Director of Support for the subsidiaries, head of financial reporting and tax compliance and as the leader of the finance team in Aramco’s acquisition of SABIC in 2020.

Education:

- B.A. degree in accounting from King Fahd University of Petroleum and Minerals.
- M.A. degree in accounting from the University of Denver.
- Post bachelor program in accounting & finance at Texas A&M.

Other Current Positions:

- Chief Financial Officer, Aramco Overseas Company BV, since 2023.

Selected Previous Positions:

- Manager of downstream finance and planning at Saudi Aramco, from 2021 to 2023.
- Non-executive board member at Saudi Aramco Jubail Refinery (SASREF), a limited liability company operating in the oil and gas sector, from 2011 to 2016.
- Manager of affiliates support and financial consulting at Saudi Aramco, from 2017 to 2021.
- Board member at Saudi Aramco Entrepreneurship Investment Ltd (Wa’ed), a limited liability company operating in the investment sector, from 2017 to 2021.
- Vice president of finance at Vela Company, a limited

- liability company operating in the maritime sector, from 2017 to 2021.
- Leader of the finance team of SABIC’s acquisition at Saudi Aramco, from 2019 to 2020.
- Board member at Saudi Aramco Power Company, a limited liability company operating in the power sector, from 2015 to 2020.
- Administrator of financial reporting and tax compliance at Saudi Aramco, from 2015 to 2017.
- Administrator of planning and budgeting at Saudi Aramco, from 2005 to 2015.
- Administrator of cash management – treasury at Saudi Aramco, from 2008 to 2009.
- Administrator of the projects division at Saudi Aramco, from 2004 to 2008.



Senior Executives

Luberef’s management team has a remarkable track record with a combined experience of over 170 years in the oil and gas sectors as well as Base Oil value chain. Management is committed to implementing the strategic orientations defined by the Board of Directors, achieving innovation and operational excellence, and creating value for shareholders.



Samer A. Hokail
President & CEO



Mohammed AlNafea
CFO

Samer A. Hokail, 49, joined Luberef in September, 2023 as President & CEO. Prior to joining Luberef, he was appointed in 2022 to establish and lead a new organization managing more than 12 of Saudi Aramco’s international subsidiary businesses with a combined asset value exceeding \$35 billion. Prior to that, Hokail was the President and CEO of the Saudi Petroleum International, based in New York. His responsibilities included managing the development and implementation of Saudi

Aramco’s crude sales in North America.

Education:

- B.S. degree in chemical engineering from Arizona State University.
- Fellowship and a MBA degree in innovation and global leadership from the Massachusetts Institute of Technology (MIT).

Selected Previous Positions:

- President and Chief Executive of Saudi Petroleum International Inc., a New-York based Saudi Aramco subsidiary

operating in the oil sector, 2016.

- Director of corporate and strategic planning at Saudi Aramco, from 2015 to 2016.
- Director of Saudi Aramco Hawiyah NGL gas plant, from 2012 to 2013.
- Director of Saudi Aramco terminal operations then manager of Jeddah Refinery at Saudi Aramco, from 2011 to 2012.

Mohammed AlNafea, 42, has been CFO of Luberef since 2021. AlNafea has previously held senior finance roles at Saudi Aramco in the accounting, planning and forecasting divisions.

Education:

- Bachelor’s degree in accounting from Imam Mohammad bin Saud Islamic University.

- MBA from Missouri State University.

Other Current Positions:

- Board Member of Mecca Construction and Development Company, since July 2023.
- Audit Committee Chairman of Mecca Construction and Development Company, since July 2023.

Selected Previous Positions:

- Head of the general accounting division at Saudi Aramco, from 2020 to 2021.
- Head of the planning and forecasting division at Saudi Aramco, from 2019 to 2020.



Ibrahim Al Faqeeh

Vice President of Manufacturing

Ibrahim Al Faqeeh, 57, has been the Vice President of Manufacturing at Luberef since 2011. Prior to this, Al Faqeeh held a number of roles at the Yanbu refinery from 1996, including technical manager, production planning manager and manager of the refinery.

Education:

- B.S. degree in chemical engineering from King Abdulaziz University.
- M.S. degree in mechanical engineering from King Abdulaziz University.

Other Current Positions:

- Partner at Safety Dimensions Engineering Consultants, operating in engineering consultancy and safety consultancy, since 2018.
- Partner at Aman & Asas Contracting Company, a limited liability company specialized in gas network installations, since 2021.

Selected Previous Positions:

- Vice president of manufacturing, engineering and

projects at Luberef, from 2012 to 2019.

- Expansion project asset executive at Luberef, from 2013 to 2018.
- Project manager for expansion project scope definition Pre-FEED Phase, from 2008 to 2012.
- Manager of the Yanbu refinery at Luberef, from 2003 to 2008.
- Production planning manager at Luberef, from 2001 to 2002.
- Technical manager of the Yanbu refinery at Luberef, from 1996 to 1999.



Fahad A. Al Therwi

Vice President of Engineering and Projects

Fahad A. Al Therwi, 55, has been the Vice President of Engineering and Projects at Luberef since 2019. Prior to assuming his current position, Al Therwi was operations manager of the Gasification Plants in Jazan Refinery at Saudi Aramco. Al Therwi joined Saudi Aramco in 1993. Throughout his career, Al Therwi has gained extensive experience in operations, project management and leadership roles, particularly in the downstream sector. He has played a key

role in the successful commissioning and operation of various complex projects. With his background, Al Therwi brings a strong managerial and technical expertise to his current position.

Education:

- B.S. degree in chemical engineering from King Fahd University.

Selected Previous Positions:

- Gasification Plants Operations Division Manager, from 2016 to

2019.

- Jazan Refinery Complex Projects at Saudi Aramco, from 2011 to 2016.
- Yanbu Refinery Engineering Division-Projects Section, from 2006 to 2011.
- Yanbu Refinery DHT Complex Project, from 2002 to 2006.



Waleed M. Murad
Director of Sales & Marketing

Waleed M. Murad, 53, has been the Director of Sales & Marketing at Luberef since 2020. Prior to taking on his current role, Murad was the head of the Aramco Base Oil Alliance at Saudi Aramco and has previously served as head of the Aramco base oils strategy execution team. He currently serves as a national base oils and lubricants committee member in the Council for the Federation of Saudi Chambers of Commerce and Industry.

Education:

- B.S. degree in mechanical engineering from King Fahad University of Petroleum and Minerals.
- M.S. degree in construction engineering management from King Fahad University of Petroleum and Minerals.

Other Current Positions:

- National Base Oil and Lubricants Committee member at the Council for Saudi Chambers of Commerce and Industry, since 2021.
- Saudi Aramco Base Oils Steering Committee member at Saudi Aramco, since 2020.

Selected Previous Positions:

- Head of the Aramco Base Oil Alliance at Saudi Aramco, from 2019 to 2020.
- Head of Aramco base oils strategy execution team at Saudi Aramco, from 2015 to 2019.
- Head of Aramco Affiliate division at Saudi Aramco, from 2013 to 2015.
- Aramco trading affiliate manager at Saudi Aramco, from 2012 to 2013.

- Luberef affiliate manager at Saudi Aramco, from 2011 to 2012.
- Petro Rabigh Expansion II project at Saudi Aramco, from 2009 to 2011.
- Petro Rabigh affiliate manager at Saudi Aramco, from 2008 to 2009.
- Riyadh refinery facility coordinator at Saudi Aramco, in 2007.
- Business development coordinator at Saudi Aramco, from 2003 to 2006.
- Strategy and balanced score card execution coordinator at Saudi Aramco, from 2001 to 2003.
- Quality coordinator at Saudi Aramco, from 1999 to 2001.
- Fleet manager at Saudi Aramco, from 1993 to 1999.



Jalal Abdul Razak Saad
Acting Head of Administration

Jalal Abdul Razak Saad, 57, has been acting Head of Administration at Luberef since October, 2023. Prior to this, Saad held a number of roles at Luberef, including Central Engineering Manager, Projects Manager, Industrial Safety and Security Manager and Yanbu Refinery Manager.

Education:

- Bachelor's degree in chemical engineering from King Abdulaziz University, Jeddah, Saudi Arabia.

Selected Previous Positions:

- Industrial safety and security manager, from 2021 to 2023.

- Central engineering manager, from 2019 to 2021.
- Project management department manager, from 2018 to 2019.
- Program director for the Expansion Program, from 2018 to 2018.
- Commissioning and start-up manager for the Expansion Program, from 2015 to 2018.
- Operations interface manager for the Expansion Program, from 2013 to 2015.
- Operation representative for the Expansion Program, from 2011 to 2012.
- Acting refinery manager for the Yanbu Plant, from 2008 to 2011.
- Operations manager for the Yanbu Plant, from 2004 to 2008.
- Operations superintendent

- at the Yanbu Plant, from 1998 to 2004.
- Acting process engineering supervisor, from 1997 to 1998.
- Commissioning engineer at the Yanbu construction office, from 1995 to 1997.
- Transferred to Luberef-II Project as a project engineer and assigned to the project task force office in Taipei, Taiwan, from 1994 to 1995.
- Senior process engineer at the Jeddah plant, January 1993.
- Process engineer at the Jeddah plant, March 1990.



Aasem S. Jamjoom

Board Secretary and Business
Transformation and Risk Manager

Aasem S. Jamjoom, 57, has been the Manager of Business Transformation & Risk since 2020. In addition to this role, he is also the Board Secretary. Jamjoom joined Luberef in 1991, initially as a process engineer and has served as a planning supervisor in a number of roles.

Education:

- B.S. degree in chemical engineering from King Fahad University of Petroleum and Minerals.
- MBA from the University of Business and Technology.

Other Current Positions:

- Board Secretary at Luberef, since August 2022.
- Manager of corporate planning ERM at Luberef, since 2020.
- Company secretary at Luberef, since 2020.
- Board Audit Committee secretary at Luberef, since 2020.
- Board Compensation Committee secretary at Luberef, since 2020.

Selected Previous Positions:

- Business planning supervisor – corporate planning department at Luberef, from 2008 to 2020.
- Turnaround planning superintendent at Yanbu – maintenance department, Luberef, from 2007 to 2007.
- Turnaround planning superintendent at Jeddah – maintenance department, Luberef, from 2005 to 2007.
- Operations superintendent – operations department at Luberef, from 2004 to 2005.
- Maintenance planning supervisor – maintenance department at Luberef, from 1996 to 2004.
- Process engineer – central administration at Luberef, from 1991 to 1996.
- Production engineer at Petrokemya Arabian Petrochemical Company, a limited liability company, from 1990 to 1991.



Abdulrahman H. Alaseeri

General Auditor

Abdulrahman H. Alaseeri, 38, has been the General Auditor since April 2021.

Certifications and Education:

- Certified Fraud Examiner.
- B.S. in accounting from King Fahd University of Petroleum and Minerals.

Selected Previous Positions:

- Supervisor of revenue account receivables section at Luberef, from 2020 to 2021.
- Assistant supervisor of the general accounting department at Lubaref, from 2018 to 2019.
- Member of the Claim Review Committee at Luberef, from 2017 to 2019.
- Senior accountant – treasury section at Luberef, from 2017 to 2018.
- Member of the Bid Review Committee at Luberef, in 2014, 2015 and 2018.

- Accounting and finance representative – Luberef Expansion Program at Luberef, from 2013 to 2016.
- Management officer for the Luberef Expansion Program implementation at Luberef, from 2013 to 2016.
- Accounting and finance representative – Luberef Expansion Project Phase I, from 2010 to 2012.
- Auditor at Deloitte Touche Tohmatsu, a partnership operating in auditing, from 2009 to 2010.
- Associate auditor at PwC, a partnership operating in auditing, in 2008.



Hassan Z. Khan

Corporate Legal Counsel, and Acting
Chief Compliance Officer

Hassan Z. Khan, 36, has been the Company’s Corporate Legal Counsel since December, 2020. He also currently holds the position of Chief Compliance Officer, on an acting basis, since September, 2022.

Education:

- Bar Admission from Khyber Pakhtunkhwa Bar Council, Pakistan.
- Postgraduate Diploma in Law from the University

of Oxford and Oxford Brookes University, United Kingdom.

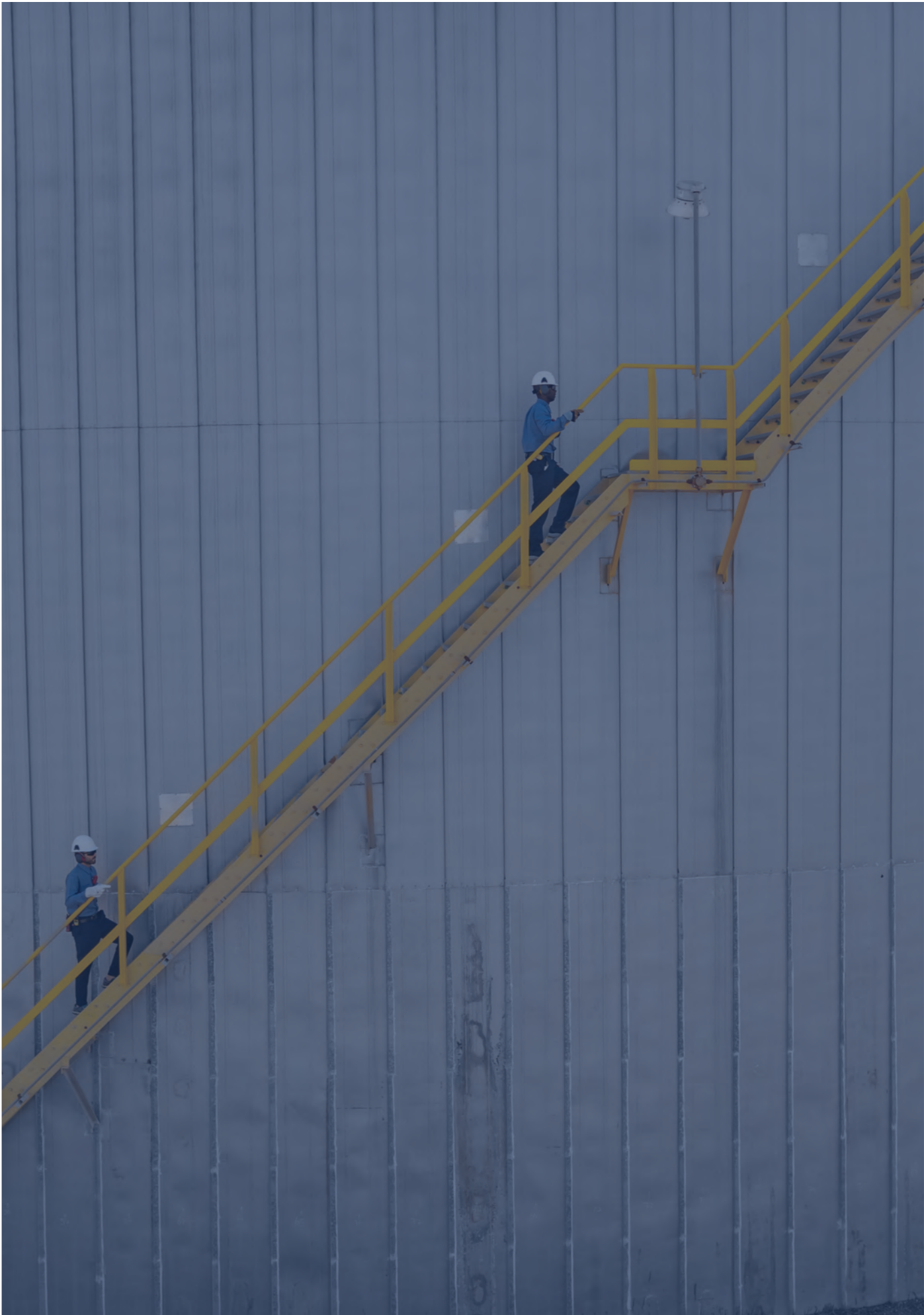
- B.A. degree in law (Hons) from the University of Wales, United Kingdom.

Other Current Positions:

- Member of Luberef’s Credit Committee, since 2020.
- Member of several claim review teams at Luberef, since 2017.

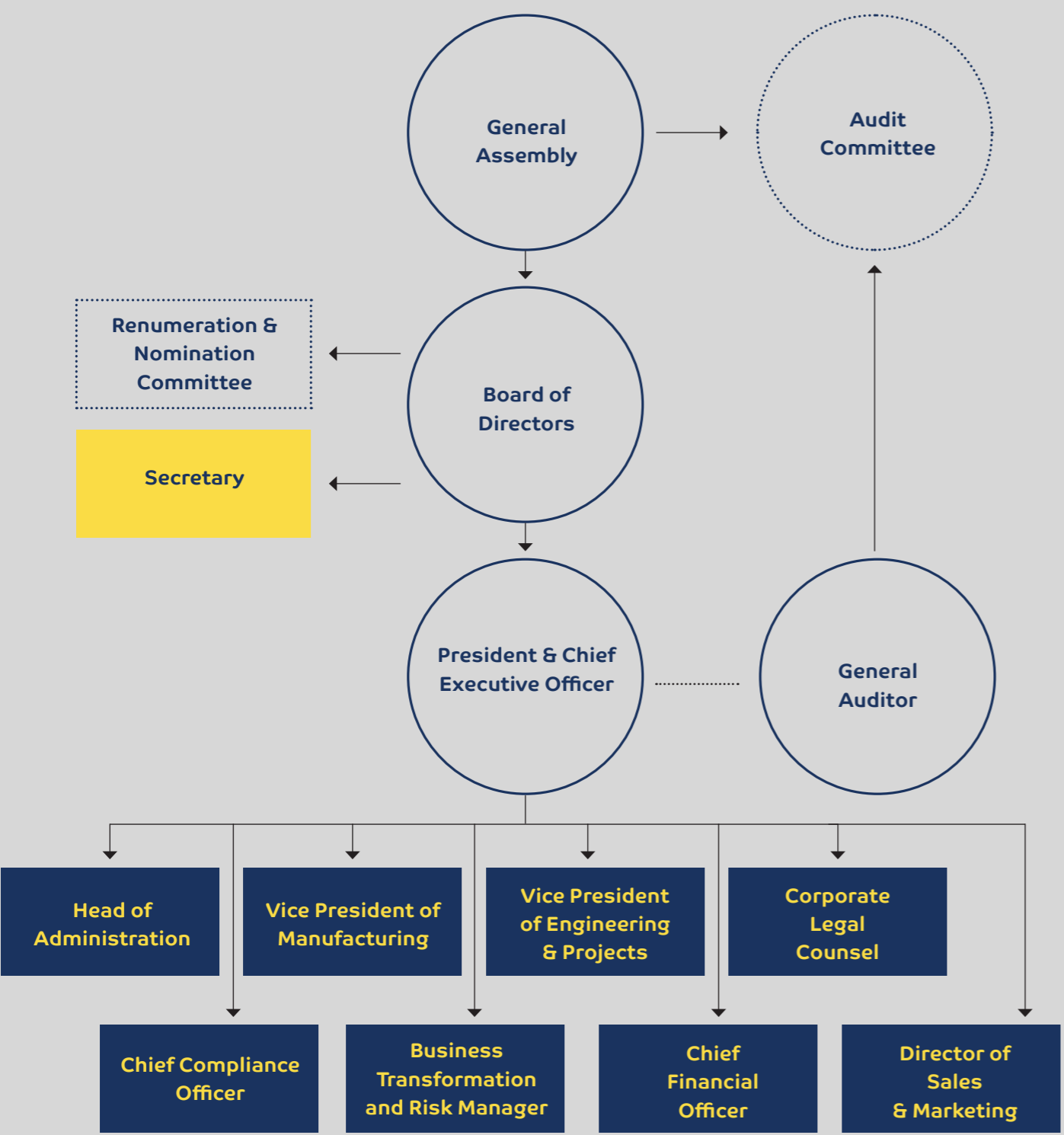
Selected Previous Positions:

- Legal Advisor at Luberef, from 2015 to 2020.
- Member of the Special Audit Committee at Luberef, from 2017 to 2018.
- Joint Venture and Regulatory Affairs Officer at Oil and Gas Development Company Ltd (OGDCL), Pakistan, a listed public company operating in the oil and gas sector, from 2012 to 2015.



Board Structure

The following chart shows Luberef’s organizational structure, including the Board, its committees and the functions of the Senior Executives.



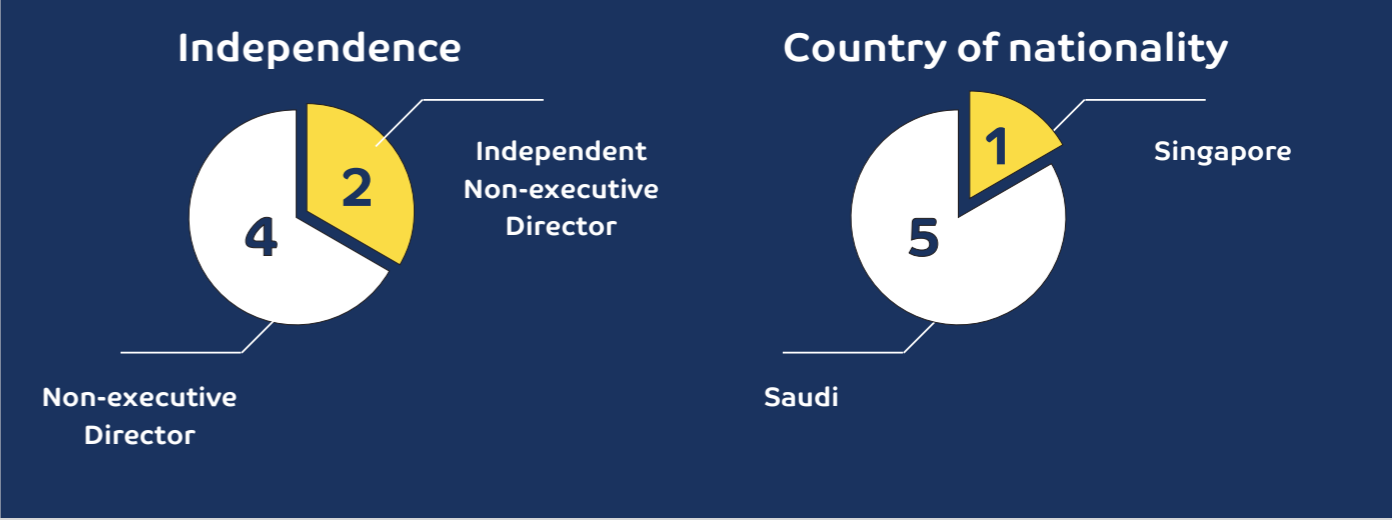
Board of Directors

The Board of Directors has the broadest powers and authorities to manage Luberef and its affairs and carry out all actions and procedures to achieve Luberef’s objectives, subject to any restrictions imposed by the provisions of the Companies Law or the Bylaws. The Board may delegate any of the Board’s powers - within the limits of its authorities - to one or more of the Board members, managers, officers, employees, or third parties to take any action or conduct or perform specific work or actions on behalf of Luberef, and revoke such delegation in part or in whole, as well as grant the delegate the right to delegate others.

Board Committees

Luberef has an Audit Committee, which was formed by the General Assembly and a Remuneration and Nomination Committee established by the Board of Directors. Each committee meets regularly, reports its actions and recommendations to the Board and receives reports from Management. The responsibilities of each committee are summarized in the following sections.

Overview of the Board



Board Evaluations

The Board, including its Committees, conducts an annual self-assessment, alternating between conducting its own assessment with the Remuneration and Nomination Committee overseeing the process or/and engaging with a third-party consultant to conduct the assessment at least once during the term of the Board. Board Directors’ and Committee Members’ responses and feedback are reviewed and tracked over time to identify trends and determine appropriate items of focus to enhance the Board and its Committees’ performance. In 2023, the Board, including its Committees, assessed its performance with the assistance of a third-party consultant, the results of which were shared with the Board and its Committees respectively.

Independence

The Board has the authority to interpret and implement the independence provisions stipulated in the CMA rules, including the definitions and vitiating factors thereof, such as specifying any materiality threshold for dealings that would trigger vitiating factors. However, it is the Remuneration and Nomination Committee’s duty and responsibility to verify, annually, the independence of the independent directors and the absence of conflicts of interest in the event a member also serves as a board member of another company, where such member is a nominee of Saudi Aramco, upon consultation with Saudi Aramco, in accordance with the Management Agreement.

Applying these standards, the Board has determined that Board members Khalid Faddagh & Nabelah Al Tunisi are independent.

Luberef Board Meeting Dates and Attendees for 2023

#	Name	Position	Capacity	BOD Meeting				
				Feb. 16, 2023	June 6, 2023	July 27, 2023	Sept. 27, 2023	Dec. 20, 2023
1	Ibrahim Q. Al Buainain	Chairperson	Non-inde- pendent	✓	✓	✓	✓	✓
2	Abdulatif Saleh A. Al Shami	Vice Chairperson	Non-inde- pendent	✓	✓	✓	✓	✓
3	Mohammed Faiz S. AlAhmari	Director	Non-inde- pendent	✓	✓	✓	✓	✓
4	Andrew S. Katz	Director	Non-inde- pendent	✓	✓	✓	✓	*
5	Khalid D. Al-Faddagh	Director	Indepen- dent	✓	✓	✓	✓	✓
6	Nabelah Al Tunisi	Director	Indepen- dent	✓	✓	✓	✓	✓

* Mr. Andrew Steven Katz attended via proxy.

Annual General Meeting of Shareholders

Luberef prioritizes engaging with all its shareholders, both locally and globally, through continuous and open communication. This ensures a healthy environment for sharing updates and discussions in order to plan the Company's future direction, in line with Luberef's strategic priorities and business objectives.

This engagement plays a key role in understanding shareholders’ perspective on key issues and helps the Board of Directors and Executive Management in their business. Luberef’s shareholders play an important and integral role in Luberef’s overall governance framework. These meetings are opportunities for the shareholders to provide their suggestions and remarks to the members of the Board.

Company Representatives at the Annual General Meeting of Shareholders on April 30, 2023

Participant	Position
Ibrahim Q. Al Buainain	Chairperson
Abdulatif Saleh A. Al Shami	Vice Chairperson
Khalid D. Al-Faddagh	Independent Director and Chairperson of the Audit Committee
Nabelah Al Tunisi	Independent Director and Chairperson of the Remuneration and Nomination Committee
Mohammed Faiz S. AlAhmari	Non-executive Director
Andrew S. Katz	Non-executive Director
Tareq A. AlNuaim	President and CEO
Mohammed AlNafea	CFO
Aasem Jamjoom	Company Secretary

The meeting approved the Board's recommendation to distribute cash dividends for the second half of 2022, totaling SAR 841,285,750 at a rate of SAR 5 per share (50% of the share’s nominal value). Shareholders also approved exonerating Board members from liability for the financial year ended December 31, 2022 and authorized the Board to distribute interim

quarterly or semi-annual dividends for the 2023 financial year. The appointment of PricewaterhouseCoopers (PwC) as the external auditor for the Company from amongst the nominees was also approved based on the recommendations of the Board and the Audit Committee. Furthermore, PwC's fees for review and audit of the

financial statements was set at SAR 787,500 (2022: SAR 787,500). Other fees for the year comprise of SAR 95,000 (2022: SAR 80,000) for compliance services.

Luberef's Applications for Shareholders' Records

During the fiscal year ended December 31, 2023, Luberef's applications for shareholders' records were as follows:

Luberef's Applications for Shareholders' Records

No.	Application Date	Application Rationale
1	1/1/2023	Business Analysis
2	2/2/2023	Business Analysis
3	4/3/2023	Business Analysis
4	4/4/2023	Business Analysis
5	2/5/2023	Dividend Distribution
6	3/5/2023	Business Analysis
7	4/6/2023	Business Analysis
8	25/6/2023	Business Analysis
9	2/8/2023	Business Analysis
10	4/9/2023	Business Analysis
11	3/10/2023	Business Analysis
12	3/10/2023	Dividend Distribution
13	6/11/2023	Business Analysis
14	3/12/2023	Business Analysis

Board Audit Commitee

Chairman’s Message



Dear Shareholders,

I am pleased to present my report for the year ended December 31, 2023. This report highlights the Committee's dedicated efforts, focusing on ensuring the integrity and transparency of our financial reporting.

Throughout the year, we scrutinized financial statements, internal controls, and compliance matters. Additionally, the Committee collaborated with the Board to assess emerging risks and provided guidance on risk management strategies.

The Committee oversees internal audit activities ensuring objectivity, independence and effectiveness. It prioritizes the enhancement of internal audit strategy and procedures to strengthen governance and control processes.

In response to the dynamic cybersecurity landscape, we closely collaborated with management to evaluate and strengthen the cybersecurity framework, mitigate risks, and enhance resilience against potential threats.

The Committee maintained a watchful eye on the relationship with the external auditor, overseeing matters related to their appointment, remuneration, performance, and independence.

Looking ahead to 2024, our key priorities include:

- Maintaining oversight over internal audit, the external auditor, risk management and internal control processes.
- Advancing the maturity level of compliance and cybersecurity functions.
- Overseeing the implementation of the continuous improvement program for internal audit.

I trust that this report offers valuable insights into the Committee's operations and activities throughout the year.

Khalid D. Al-Faddagh
Chairman of the Audit Committee

Audit Committee Report

Committee Membership

Saudi Aramco Base Oil Company (“Luberef” or the “Company”) has an Audit Committee, which was formed by the General Assembly. The Audit Committee is composed of three members, who were appointed on 09/02/1444 H (corresponding to September 5, 2022).

The Audit Committee consists of the following serving members:

- Khalid D. Al-Faddagh – Chairman
- Abdulatif Saleh A. Al-Shami – Member
- Mohammed Faiz S. AlAhmari – Member

Oversight Responsibilities

The Audit Committee is an independent committee appointed by the General Assembly. The Audit Committee exercises oversight and monitors the Company's activities to ensure the integrity and effectiveness of reports, financial statements and internal control systems. The Audit Committee carries out its duties in accordance with its charter and the applicable regulatory requirements, which include by way of example the following duties which the Committee carried out during the fiscal year 2023:

- Endorsing the interim financials on behalf of the Board of Directors.
- Reviewing the annual financial statements to ensure their integrity, fairness and transparency.

- Examining the accounting estimates in respect of significant matters contained in the financial reports.
- Examining the financial and accounting policies adopted by the Company.
- Supervising and monitoring the performance of the internal audit function to ensure the availability of the necessary resources and verifying its effectiveness in carrying out its duties and responsibilities.
- Recommending to the Board the appointment or dismissal of external auditors and determining their fees, after assessing their performance, independence, scope of work, and terms of engagement.

- Reviewing the external auditor’s plan and work to ensure that they do not provide any technical or administrative work that is beyond the scope of their work.
- Examining the external auditor’s reports and its observations on the financial statements and following up on the actions taken in this respect.
- Reviewing major risks identified by Management, and the associated response plans.

Committee Meetings

The Committee met six times during the year. Attendance at these meetings was as follows:

The President & Chief Executive Officer, the Chief Financial Officer, the General Auditor and Committee Secretary, as well as representatives of the external auditor are invited to attend meetings of the Committee. When required, other key executives and senior management are invited to attend to present and provide

deeper insight on various topics as are required by the Committee to discharge its duties.

The General Auditor and the external auditor had direct access to the Committee Chairman and met with the Committee, without other Executive Management being present, in order to provide additional opportunity for open dialogue and feedback. After each Committee meeting,

the Chairman of the Committee reported to the Board on the key issues.

Audit Committee Meeting Dates And Attendees

Name	Position	Capacity	Feb. 15, 2023	May 4, 2023	June 5, 2023	July 27, 2023	Nov. 5, 2023	Dec. 19, 2023
Khalid D. Al-Faddagh	Committee Chairperson and Delegated Board Member	Independent	✓	✓	✓	✓	✓	✓
Abdulatif Saleh A. Al Shami	Member	Non-independent	✓	✓	✓	✓	✓	✓
Mohammed Faiz S. AlAhmari	Member	Non-independent	✓	✓	✓	✓	✓	✓

Risk Management

In 2023, significant progress was made to redefine the risk management program to align with industry best practices. Furthermore, this refinement was empowered by the Operational Excellence program, which provided a detailed review and subsequent improvements to the risk management process.

Internal Audit

The Audit Committee is responsible for monitoring and reviewing the operation and effectiveness of the internal audit function, including its focus, plans, activities and resources. To fulfil these duties, the Committee:

- Analyzed and reviewed internal audit’s regular reports and the results of special investigations, and following up on the implementation of corrective actions.
- Examined and reviewed internal and financial control systems and the risk management system.

- Endorsed the revised internal audit strategy to ensure the internal audit function remains effective and adds value to the organization.
- Endorsed audit follow-ups and escalation procedures to ensure timely compliance with audit recommendations.
- Oversaw the Internal Audit Department quality assurance and improvement programs.
- Approved the annual audit plan for 2024 and the internal audit budget and resource plan.

Compliance

During the year, the Audit Committee oversaw the progress made towards the compliance framework and ongoing efforts to adopt the parent company’s global compliance program. In addition, the services

of an external compliance advisor were obtained to enhance the current compliance program.

Cybersecurity

The Audit Committee has been actively engaged in overseeing the cybersecurity landscape, ensuring robust measures to safeguard digital assets and maintain operational integrity. Below is a summary of the cybersecurity activities:

- Conducting a comprehensive risk assessment, prioritizing and addressing cybersecurity risk in collaboration with Management.
- Conducting several awareness and training sessions for employees to foster a cyber-resilience culture.
- Strengthening the security position of the cloud, achieving multi-cloud environment security.
- Enhancing the incident response plan to ensure

swift and effective responses to operational cyber incidents.

- Expanding cybersecurity scorecards to include other stakeholders, ensuring the same high standards across our workforce.
- Enhancing the security toolset in the areas of endpoint protection, access management, patch management, vulnerability scanning, sand boxing, threat Intelligent feeds, email security and security monitoring.
- Architecting a global security network, which establishes a standardized network security design and enables faster application onboarding for critical cloud applications.

External Auditors

Our collaboration with the external auditor remains steadfast in promoting transparency and accountability. The Committee ensured the independence of the external auditor and oversaw the implementation of appropriate safeguards. Prior to the finalization of the 2023 financial statements, the Audit Committee received a detailed presentation and final report from PwC. In assessing the effectiveness of the external auditor, the Audit Committee also considered the following:

- Quality of presentations to the Board and Audit Committee;
- Key audit findings, including their robustness and perceptiveness in handling of key accounting and audit judgements; and
- Their understanding of Luberef’s business and key risks.

On the basis of the above, the Committee is satisfied with the effectiveness of the external auditors.

Audit Committee's Opinion on the Adequacy and Effectiveness of the Internal Control System

The internal control procedures and policies were prepared on sound basis by Luberef. In addition, Luberef has ensured that sound financial and operational systems and appropriate control systems for the management of potential risks are in place.

Based on the reports of the Executive Management and the external auditor, as well as the internal audit reports, and based on the discussions with the external auditor, the

General Auditor and Executive Management in relation to the adequacy and effectiveness of the internal control systems, the Committee has not identified any matters of significant impact to be stated in this report.

The Audit Committee is of the opinion that Luberef’s Executive Management has maintained effective internal control, financial and risk management systems capable of providing reasonable

assurances; and that the results of the audits, together with the Audit Committee meeting discussions, have all provided reasonable grounds for formulating this opinion.



Remuneration and Nomination Committee

Members of the Remuneration and Nomination Committee

The Remuneration and Nomination Committee is composed of three members, who were appointed pursuant to a resolution of the Board of Directors on September 7, 2022.

- 1- Nabelah Al Tunisi, Chairperson
(Independent, Non-Executive Director)
- 2- Abdulatif Al Shami, Member
(Non-Independent, Non-Executive Director)
- 3- Andrew S. Katz, Member
(Non-Independent, Non-Executive Director)

The Remuneration and Nomination Committee’s responsibilities include the following:

Remuneration

A- Developing Luberef’s remuneration policy for Board members, Board Committee members and Senior Executives and providing recommendations thereon to the Board for approval by the General Assembly.

B- Reviewing the remuneration policy periodically to, among other matters, ensure consistency with any changes in relevant legislation and regulations, Luberef’s strategic objectives, and the skills and qualifications required, as well as recommending proposed changes thereto to the Board.

C- Recommending to the Board the remuneration of the members of the Board, Board Committees and Senior Executives in accordance with the approved remuneration policy.

D- Specifying and clarifying the relation between the remuneration paid and the adopted remuneration policy, highlighting any material deviation from such policy.

Board of Directors

A- Developing a policy and criteria for membership of the Board and recommending the policy to the Board for approval by the General Assembly.

B- Recommending to the Board nominees for Board membership according to the approved Board membership policy. Elevating the names of nominees put forward by Saudi Aramco, immediately, for so long as Saudi Aramco remains a shareholder (directly or through an affiliate), except if the nomination materially violates the approved Board membership policy.

C- Conducting an annual review of the required skills and expertise for Board membership and updating, if needed, a description of the required capabilities and qualifications.

D- Examining the size and composition of the Board and recommending, if deemed appropriate, possible changes.

E- Establishing, if not addressed in existing policies or charters, procedures to address vacancies of the Board and Board Committees and making recommendations to the Board thereon.

F- Providing recommendations to the Board on performance measures to evaluate the Board’s activities, members, and Board Committees.

G- Evaluating the Board and Board Committees against the performance measures, reporting to the Board on the results of the evaluation and, where deemed appropriate by the Committee, proposing improvements in line with Luberef’s interest.

Renumeration and Nomination Committee Meeting Dates and Attendees:

Name	Position	Capacity	June 6, 2023	Sept. 6, 2023	Sept. 27, 2023	Dec. 19, 2023
Nabelah Al Tunisi	Chairperson	Independent	✓	✓	✓	✓
Abdulatif Saleh A. Al Shami	Member	Non-independent	✓	✓	✓	✓
Andrew S. Katz	Member	Non-independent	✓	✗	✗	*

* Andrew S. Katz attended via proxy.

Board Members

A- Determining the amount of time that the Board member shall allocate for performing Board duties.

B- Verifying, annually, the independence of the independent directors and absence of conflict of interest in case the member is also a member of the Board of another company; upon consultation with Saudi Aramco in accordance with the Management Agreement.

C- Developing job descriptions of executive, non-executive, and independent directors.

D- Recommending to the Board the re-nomination or dismissal of Board and committee members.

Orientation Program for New Board Members

A- Recommending to the Board an orientation program for new Board members, addressing, among other items, Luberef's activity, nature of its business, and its financial and legal aspects.

Senior Executives

A- Recommending to the Board appropriate policies and standards for the appointment of senior executives and identifying the required capabilities and skills; and reviewing such policies and standards regularly to ensure their consistency with changes in Luberef's strategic objectives and the required skills and qualifications to achieve them.

B- Developing job descriptions for senior executives, reviewing Luberef's organizational structure, and making recommendations to the Board on possible changes.

C- Developing succession planning processes for senior executive positions and making recommendations to the Board thereon.

D- Conducting an annual review of the skills and expertise required from the Senior Executives.

E- Oversight of management's implementation, compliance with and facilitation of the implementation of the Management Agreement with Saudi Aramco.

Compensation and Other Interests

Remuneration of Directors

Luberef has a policy which aims to ensure that its Directors and Executives are paid in a fair, justified and competitive manner. This approach is

integral to promoting a conducive environment for business performance and our long-term objectives. This policy is aligned with the

interests of Luberef and its shareholders, while attracting, retaining and motivating talent.

Amount in SAR	Fixed Remuneration							Variable Remuneration						
	Fixed Amount													
		Allowance for Attending Board of Directors Meetings	Total Allowance for Attending Committee Meetings	In-kind Benefits	Remuneration for Technical, Managerial and Consultative Work	Remuneration of the Chairman, Managing Director, or Secretary, if they are a Member	Total	Percentage of Profits	Periodic Remuneration	Short-term Incentive Plans	Long-term Incentive Plans	Granted Shares (Value)	Total	End-of-service Award
Independent Directors														
Khalid D. Al-Faddagh	-	281,250	215,625	-	-	-	496,875	-	-	-	-	-	-	496,875
Nabelah Al Tunisi	-	281,250	196,875	-	-	-	478,125	-	-	-	-	-	-	478,125
Subtotal	-	562,500	412,500	-	-	-	975,000	-	-	-	-	-	-	975,000
Non-executive Directors														-
Ibrahim Q. Al Buainain	-	421,875	-	-	-	-	421,875	-	-	-	-	-	-	421,875
Abdulatif Saleh A. Al Shami		421,875					421,875							421,875
Andrew S. Katz	-	421,875	-	-	-	-	421,875	-	-	-	-	-	-	421,875
Mohammed Faiz S. AlAhmari	-	421,875	-	-	-	-	421,875	-	-	-	-	-	-	421,875
Subtotal	-	1,687,500	-	-	-	-	1,687,500	-	-	-	-	-	-	1,687,500
Total	-	2,250,000	412,500	-	-	-	2,662,500	-	-	-	-	-	-	2,662,500

Remuneration of the Senior Management Team

The remuneration of Luberef's Senior Executives for the financial year 2023 compared to 2022 was as follows:

	2023	2022	% change
*Senior Executives (including the CEO and CFO)	10,983,680	9,457,274	16.1%

* The remuneration of the Senior Executives seconded from Saudi Aramco was calculated based on the amount paid by the Company to Saudi Aramco for the secondment arrangement. The Company does not pay any other remuneration for the seconded Senior Executives.

Shareholding of Directors

	Beginning of the Year	End of the Year	Net Change
	Number of Shares	Number of Shares	Number of Shares
Ibrahim Q. Al Buainain	-	-	-
Abdulatif Saleh A. Al Shami	-	500	500
Andrew S Katz	-	-	-
Khalid D. Al-Faddagh	-	10,000	10,000
Nabelah Al Tunisi	-	-	-
Mohammed Faiz S. AlAhmari	-	-	-

Shareholding of Senior Management Team

	Beginning of the Year	End of the Year	Net Change
	Number of Shares	Number of Shares	Number of Shares
Samer A. Hokail	-	-	-
Mohammed Nafea	-	8,250	8,250
Ibrahim Al Faqeeh	150 *	6,000	5,850
Fahad A. Al Therwi	-	-	-
Waleed M. Murad	-	-	-
Jalal Abdul Razak Saad	150 *	2,150	2,000
Aasem S. Jamjoom	150 *	150	-
Abdulrahman H. Alaseeri	150 *	150	-
Hassan Z. Khan	150 *	150	-

* As per the grant conditions, the awarded IPO shares completed the one-year vesting period and were transferred to all eligible employees (including employed executives) on 28/12/2023.



Governance, Risk and Compliance

Corporate Governance

Luberef has developed a governance system in accordance with the Corporate Governance Regulations (CGRs) issued by the CMA. The CGRs prescribe the rules and standards for the management of Luberef, and ensure that Luberef’s governance standards are in line with best practices. The CGRs also regulate the various relationships between the Board, Senior Executives, shareholders and other stakeholders, by establishing clear rules and procedures to facilitate decision making processes, with the objective of protecting the rights of Shareholders and other stakeholders and promoting the values of credibility, fairness, competitiveness and transparency. Furthermore,

the CGRs ensure that the Board acts in the best interest of the Shareholders and that it presents a clear and fair view of the financial condition of Luberef and the results of its operations at all times. The provisions of the CGRs are mandatory, except for those provisions referred to as guiding provisions. In addition to the CGRs issued by the CMA, the Board has also approved the adoption of Saudi Aramco’s global compliance and ethics program, and implementation of the same on a gradual basis. These Saudi Aramco policies, which are subject to modification as they are implemented, impose additional requirements on Luberef which are not required under Saudi law but meet international investors’ expectations.

Key Corporate Governance Requirements

The key corporate governance requirements that Luberef complies with are set out in the Corporate Governance Regulations. These cover the following broad areas:

- 1- General shareholder rights (Articles 4 to 9).
- 2- Rights relating to General Assembly Meetings (Articles 10 to 15).

- 3- The Board of Directors: formation, responsibilities, competencies, procedures, and training (Articles 16 to 41).
- 4- Conflicts of interest (Articles 42 to 49).
- 5- Company committees (Articles 50 to 72).
- 6- Internal controls, external auditors, company reports and policies, and various other matters (Articles 73 to 98).

Luberef has adopted corporate governance policies and procedures in accordance with the Corporate Governance Regulations and regularly evaluates additional suitable policies and procedures. Additionally, Luberef has implemented a Code of Business Conduct that provides guidelines on several areas, including health, safety, environmental protection, competition and antitrust, anti-bribery and anti-corruption, insider trading, and compliance with applicable laws.

Corporate Governance Manual and Internal Policies

Luberef’s governance system comprises of the following charters and internal policies related to Luberef’s governance:

- 1- Audit Committee Charter, which was approved by a resolution of Luberef’s General Assembly on 05/09/2022.
- 2- Remuneration and Nomination Committee Charter, which was approved by a resolution of Luberef’s General Assembly on 05/09/2022.
- 3- Competition Standards, which were approved by a resolution of Luberef’s General Assembly on 05/09/2022.
- 4- Remuneration Policy, which was approved by a resolution of Luberef’s General Assembly on 05/09/2022.
- 5- Board Membership Policy, which was approved by a resolution of Luberef’s General Assembly on 05/09/2022.
- 6- Professional Conduct Policy, which was approved by a resolution of the Board on

- 31/08/2022.
- 7- Disclosure Policy and Procedures, which were approved by a resolution of the Board on 31/08/2022.
- 8- Dividend Policy, which was approved by a resolution of the Board on 31/08/2022.
- 9- Board Policy Procedures, which was approved by a resolution of the Board on 31/08/2022.
- 10- Conflict of Interest Policy, which was approved by a resolution of the Board on 31/08/2022.
- 11- General Assembly Procedures, which were approved by a resolution of the Board on 31/08/2022.
- 12- Reporting Violations/ Whistleblowing Policy, which was approved by a resolution of the Board on 31/08/2022.
- 13- Stakeholder Management Policy, which was approved by a resolution of the Board 31/08/2022.

Risk Assessment and Management

The Board regularly assesses potential risks that could impact Luberef’s business model and future performance. Luberef’s risk management

framework and risk factors are detailed in the previous section of this Annual Report.



Corporate Governance Compliance

As at the date of this Annual Report, the Board of Directors declares that Luberef is compliant in all material respects with the mandatory provisions of the Corporate Governance Regulations. Furthermore, the Board of Directors declares that Luberef is compliant with the mandatory provisions of the Corporate Governance Regulations in relation to disclosures, notifications and filings to the CMA, the Saudi Exchange and/or the public on a continual basis, including, but not limited to:

- Article 14(c) which provides that the shareholders shall be allowed through Luberef’s website and the Saudi Exchange’s website to obtain the information related to the items of the General Assembly agenda, particularly the reports of the Board of Directors and the external auditor, the financial statements and the Audit Committee’s report.
- Article 15(d) in relation to providing the CMA with a copy of the minutes of the General Assembly meeting.
- Article 15(e) which provides that Luberef shall announce to the public and inform the CMA and the Saudi Exchange of the results of a General Assembly meeting immediately following its conclusion.
- Article 19(b) which provides that upon the termination of the membership of a Board member, Luberef shall promptly notify the CMA and the Saudi Exchange and shall specify the reasons for such termination.
- Article 90 in relation to the items to be covered under the Board report.
- Article 91(b) in relation to publishing the Audit Committee’s report on the website of the Saudi Exchange.

Dividend Distribution Policy

Luberef aims to generate value for shareholders by providing sustainable distributions through its dividend policy, which is subject to change from time to time. Interim dividends are declared by the Board and paid on a quarterly or semi-annual basis, after obtaining authorization from the annual Ordinary General Assembly.

Luberef is under no obligation to declare and distribute any dividends and any decision in this regard will depend on a number of factors, including Luberef’s historic and anticipated profitability and cash flows, financing and capital requirements, general economic and market conditions, Luberef’s Zakat and tax position, as well as other legal and regulatory considerations including any undertakings based on the financing agreements to which Luberef is subject. The Company may decide not to distribute dividends based on these factors, and therefore, there is no guarantee as to the actual distribution of dividends, nor to the amounts to be paid in any year or period.

Dividend Distribution Policy:

On July 27, 2023, Luberef’s Board of Directors approved the revision of the Dividend Distribution Policy. Accordingly, the Company shall distribute any annual net profits, after deducting all general expenses and other costs, as follows:

1. Allocation of a portion of the net profits to form or support other types of reserves decided by the General Assembly (including for the establishment of social institutions for the Company’s employees, or to support such institutions as may already be in existence).

2. Non-distribution of amounts that exceed the realized profit per share for the fiscal year unless a balance is available from previous years in the retained earnings account, in which case the amount to be distributed at the end of the fiscal year should not exceed such balance.

3. The Company may distribute to the shareholders performance linked dividends based on the free cash flows, in accordance with the following considerations:

4. Dividends distributions must be recorded to the cumulative retained earnings account of preceding years, or to the distributable reserves formed out of profits, or both. The Company must take a sequential and consistent approach in determining the manner and percentage of dividend distributions in light of the Company’s capabilities and available liquidity. The Board must disclose and announce the portion of regular interim dividends approved for distribution to the shareholders on the specified dates.

5. The Company must, upon resolving to distribute interim dividends, disclose and announce such resolution immediately.

considerations:
a) The company’s financial position, market condition and general economic climate, and the Company’s ability to fund its commitments, which includes funding growth capital plans.
b) Targeting the distribution of 60%-80% of the annual free cash flows, after accounting for capital expenditure or other considerations at the discretion of Board of Directors.
c) The availability of sufficient cash balance to cover the proposed dividend distribution.
d) Maintenance of a commercially reasonable level of gearing and compliance with lenders covenants (if any).
e) Other legal and regulatory considerations and any restrictions on distribution under any financing or loan arrangement or any other contract the Company is party to.
f) The Company’s Board of Directors (the Board) assessment of the need for capital increase through the distribution of bonus shares based on the balance in the retained earnings account, taking into account the future expansions of the Company so that the capital of the Company is commensurate with the expansion plans, and making a recommendation to the Extraordinary General Assembly in that regard.
g) The need to create other reserves for any purpose.

Dividends Declared and Distributed (SAR Mn)

Description	2023	2022
Free cash flow	2,108	1,969
Dividends paid after zakat and tax deduction	1,682.57	1,125.00

Financial Statements - Note 15.2

Related Party Transactions

Luberef is deeply integrated within the Saudi Aramco system and as part of its normal course of business, Luberef enters into various related party contracts and transactions. These principally include sales and purchases, and the provision and receipt of services. Such transactions are made on specific terms within the relevant regulatory framework in the Kingdom. There are no transactions in which any of Luberef's Directors or Senior Executives or an immediate family member thereof has or will have a direct or indirect interest or were not entered into on an arm's length basis. For compensation-related transactions with Luberef's Directors and Senior Executives, details are provided separately in this Annual Report. For more information on Luberef's related party transactions, see the Financial Statements — Note 24.



Declarations based on the Corporate Governance Regulations

Board of Directors' Declarations

The Board of Directors confirm the following:

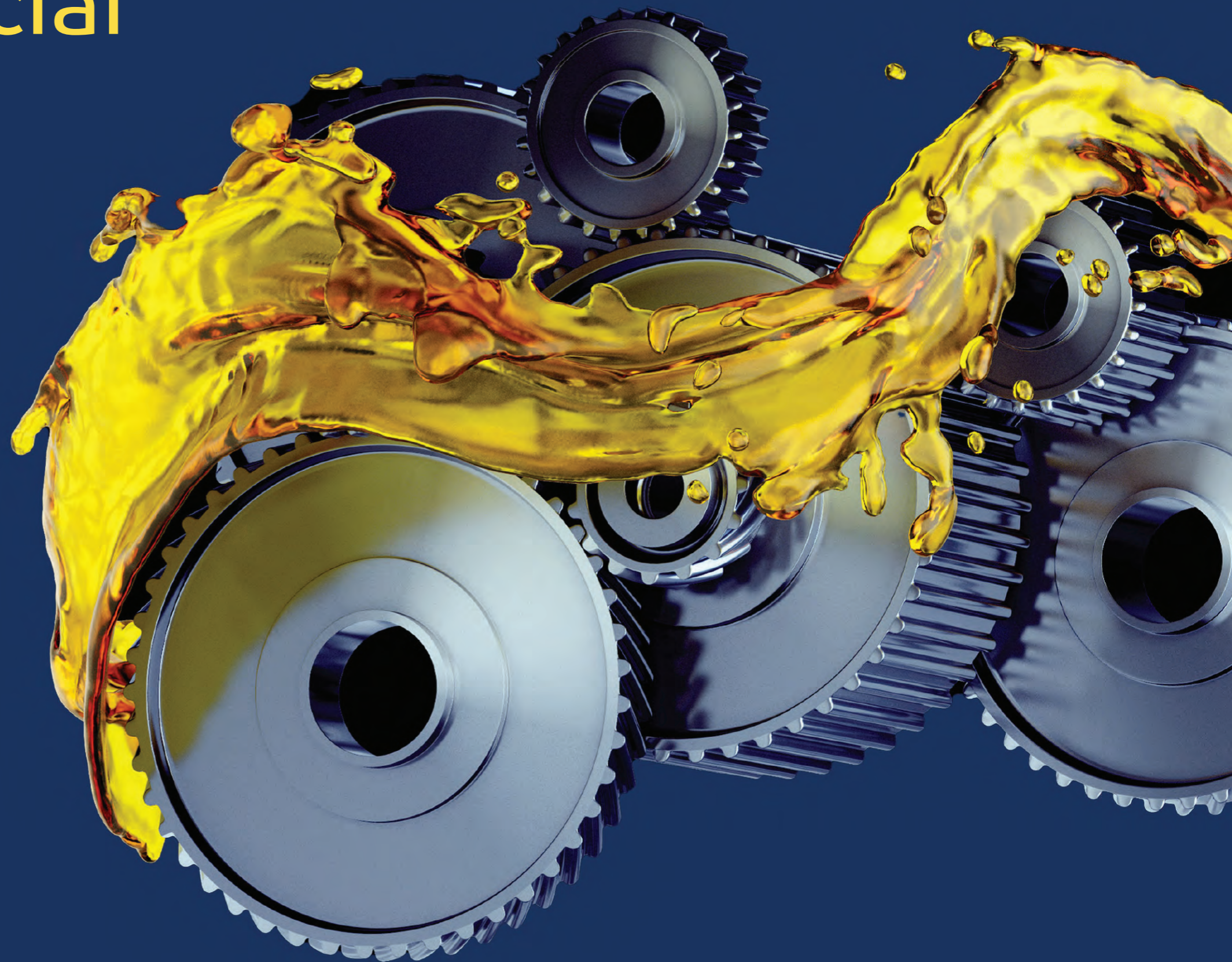
- a) Accounting records have been properly prepared.
- b) The internal control system is built on a sound basis and is effectively implemented.
- c) There are no significant doubts concerning Luberef’s ability to continue carrying out its activity.

Luberef applies the provisions of the Corporate Governance Regulations issued by the Capital Market Authority except for the following:

Article/Paragraph No.	Article/Paragraph Text	Reason for Non-Implementation
Article 67: Composition of the Risk Management Committee	Luberef’s Board shall, by resolution therefrom, form a committee to be named the “Risk Management Committee”.	Guiding article * The Audit Committee is currently carrying out the competencies of the Risk Committee as provided for in its charter approved by the General Assembly.
Article 68: Competencies of the Risk Management Committee	The competencies of the Risk Management Committee shall include the following: (as provided for in Article 71 of the Regulations).	Guiding article * The Audit Committee is currently carrying out the competencies of the Risk Committee as provided for in its charter approved by the General Assembly.
Article 69: Meetings of the Risk Management Committee	The Risk Management Committee shall convene periodically at least once every six months, and as may be necessary.	Guiding article
Article 92: Formation of a Corporate Governance Committee	If the Board forms a Corporate Governance Committee, it shall assign to it the competences stipulated in Article 92 of these Regulations. Such committee shall oversee any matters relating to the implementation of governance and shall provide the Board with its reports and recommendations at least annually.	Guiding article

- No penalty, punishment, precautionary measure, or preventive restriction has been imposed on Luberef by the Capital Market Authority or any supervisory, regulatory, or judicial body.
- No convertible debt instruments, contractual securities, preemptive rights, or similar rights were issued or granted by Luberef during the fiscal year 2023.
- Luberef did not make any conversion or subscription under any convertible debt instruments, contractual-based securities, warrants, or similar rights issued or granted by Luberef during the fiscal year 2023.
- Luberef has not made any recovery, purchase or cancellation of any redeemable debt instruments during the fiscal year 2023.
- No member of the Board of Directors or Senior Executive of Luberef has made any waiver of any remuneration.
- No shareholder of Luberef has waived any rights to dividends.
- Luberef did not receive notification of any interests belonging to persons other than Board members and Senior Executives regarding shares eligible to vote, or a change in such rights during the year 2023.
- The annual financial statements of Luberef have been prepared in accordance with the International Financial Reporting Standards (IFRS) and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA), as endorsed in the Kingdom of Saudi Arabia for financial reporting.
- Luberef has 497,350 treasury shares as of the end of 2023, with a value of SAR 49,237,650 (see the Financial Statements - Note 15.3).
- Luberef presents shareholders’ suggestions and comments about the Company’s performance annually to the Board of Directors.

2023 Financial Statements



SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
AND INDEPENDENT AUDITOR'S REPORT

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Contents	Page
Independent auditor's report	2 - 5
Statement of financial position	6
Statement of comprehensive income	7
Statement of changes in equity	8
Statement of cash flows	9
Notes to the financial statements	10 - 49



Independent auditor's report to the shareholders of Saudi Aramco Base Oil Company - Luberef

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Saudi Aramco Base Oil Company - Luberef (the "Company") as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

What we have audited
The Company's financial statements comprise:

- the statement of financial position as at December 31, 2023;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements.

Our audit approach

Overview

Key audit matter • Revenue recognition

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

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Independent auditor's report to the shareholders of Saudi Aramco Base Oil Company - Luberef (continued)

Our audit approach (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
------------------	--

Revenue recognition

During the year ended December 31, 2023, the Company recognised total revenue of Saudi Riyals 9,489 million from sale of base oil and by-products to domestic and international customers.

Management identified different performance obligations arising out of its contracts with customers. Revenue from the sale of goods is recognized at a point in time when control of the goods is transferred to the customer. Revenue from freight is recognized over the period of time the shipping services are rendered.

Management also exercised judgement when recognising revenue particularly in assessing whether the Company is acting as an agent or as a principal in contracts with customers in discharging its performance obligations.

Revenue recognition is considered a key audit matter in view of the significance of the amount and judgement involved in the revenue recognition process.

Note 3.6 sets out the key accounting judgement with respect to revenue recognition; Note 4.20 discloses the accounting policy for revenue recognition; and Note 25 includes relevant revenue disclosures.

Our audit procedures included the following:

- Understood and evaluated the revenue process for the Company's performance obligations.
- Understood and evaluated the accounting policy with respect to revenue recognition and checked its appropriateness with respect to International Financial Reporting Standard 15 Revenue from Contracts with Customers ("IFRS 15").
- Obtained an understanding of the nature of revenue contracts entered into by the Company and tested a representative sample of sales contracts to confirm our understanding and assess whether the management's application of IFRS 15 requirements was appropriate.
- Inspected revenue transactions recorded during the year, on a sample basis, with invoices, sales contracts and goods delivery notes to assess whether the related revenue was recognised in accordance with IFRS 15.
- Inspected and assessed the key contractual sales arrangements with related parties to evaluate the appropriateness of management's judgment involved in revenue recognition.
- Assessed the adequacy and appropriateness of the disclosures made in the accompanying financial statements.



Independent auditor's report to the shareholders of Saudi Aramco Base Oil Company - Luberef (continued)

Other information

Management is responsible for the other information. The other information comprises the Annual Report, but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e. the Board of Directors, are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.



Independent auditor's report to the shareholders of Saudi Aramco Base Oil Company - Luberef (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers



Mufaddal A. Ali
License Number 447

March 3, 2024

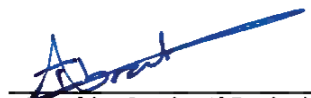


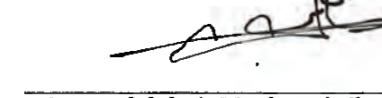
SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Statement of financial position
 (All amounts in Saudi Riyals thousands unless otherwise stated)

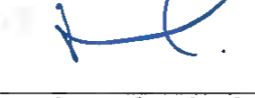
	Note	As at December 31,	
		2023	2022*
Assets			
Non-current assets			
Property, plant and equipment	5	4,770,631	4,819,032
Right-of-use assets	6	167,098	94,374
Intangible assets	7	15,319	18,114
Employees' home ownership receivables	8	488	1,950
Loans to employees	9	17,524	16,483
Total non-current assets		4,971,060	4,949,953
Current assets			
Inventories	10	622,965	583,889
Trade receivables	11	1,053,830	1,023,142
Prepayments and other assets	12	27,335	27,555
Short-term deposits	13	1,635,320	148,200
Cash and cash equivalents	14	545,960	1,912,078
Total current assets		3,885,410	3,694,864
Total assets		8,856,470	8,644,817
Equity and liabilities			
Equity			
Share capital	15	1,687,500	1,687,500
Statutory reserve	16	506,250	418,308
Treasury shares	15	(49,238)	(57,420)
Retained earnings		2,724,281	3,034,443
Total equity		4,868,793	5,082,831
Liabilities			
Non-current liabilities			
Long-term borrowings	18	1,743,750	1,940,625
Lease liabilities	6	163,842	97,451
Employee benefit obligations	19	329,179	263,127
Provision for decommissioning obligation	21	45,179	39,081
Other non-current liabilities	20	4,422	5,335
Total non-current liabilities		2,286,372	2,345,619
Current liabilities			
Trade and other payables	22	1,174,164	674,489
Accrued expenses and other liabilities	23	227,032	237,097
Current portion of long-term borrowings	18	198,354	164,235
Lease liabilities	6	22,428	10,340
Zakat and income tax payable	31	79,327	130,206
Total current liabilities		1,701,305	1,216,367
Total liabilities		3,987,677	3,561,986
Total equity and liabilities		8,856,470	8,644,817

The accompanying notes form an integral part of these financial statements.

* Refer to Note 35 regarding the comparatives.


 Ibrahim Qassim Al Buainain
 Chairman of the Board


 Samer Abdulaziz M. Al - Hokail
 President & Chief Executive Officer



 Mohammed A. Al Nafea
 Chief Financial Officer

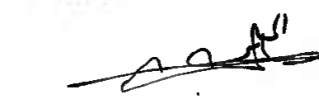
SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Statement of comprehensive income
 (All amounts in Saudi Riyals thousands unless otherwise stated)


	Note	Year ended December 31,	
		2023	2022*
Revenue	25	9,488,679	10,613,892
Cost of revenue	26	(7,630,310)	(8,180,206)
Gross profit		1,858,369	2,433,686
Selling and distribution expenses	27	(37,354)	(26,916)
General and administrative expenses	28	(229,514)	(210,954)
Impairment losses on financial assets	32	(1,216)	(5,727)
Other expenses		-	(25,320)
Fair value gain on derivative financial instruments measured at fair value through profit or loss		-	6,336
Operating profit		1,590,285	2,171,105
Finance income	29	130,702	34,904
Finance cost	30	(142,015)	(74,402)
Profit before zakat and income tax		1,578,972	2,131,607
Zakat and income tax	31	(69,360)	(153,527)
Profit for the year		1,509,612	1,978,080
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Re-measurement (loss) / gain on employee benefit obligations	19	(49,265)	47,918
Deferred tax relating to re-measurement		-	(5,295)
		(49,265)	42,623
Total comprehensive income for the year		1,460,347	2,020,703
Basic and diluted earnings per share	17	8.98	11.72

The accompanying notes form an integral part of these financial statements.

* Refer to Note 35 regarding the comparatives.


 Ibrahim Qassim Al Buainain
 Chairman of the Board


 Samer Abdulaziz M. Al - Hokail
 President & Chief Executive Officer



 Mohammed A. Al Nafea
 Chief Financial Officer


SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)


Statement of changes in equity
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Share capital	Statutory reserve	Treasury shares	Share-based payment reserve	Retained earnings	Total equity
Balance as at January 1, 2022	441,000	220,500	-	-	3,583,046	4,244,546
Profit for the year	-	-	-	-	1,978,082	1,978,082
Other comprehensive income for the year	-	-	-	-	42,623	42,623
Total comprehensive income for the year	-	-	-	-	2,020,705	2,020,705
Transfer of share capital (Note 15)	1,246,500	-	-	-	(1,246,500)	-
Transfer to statutory reserve (Note 16)	-	197,808	-	-	(197,808)	-
Transaction with owners in their capacity as owners:						
Acquisition of treasury shares (Note 15)	-	-	(57,420)	-	-	(57,420)
Dividends (Note 15)	-	-	-	-	(1,263,710)	(1,263,710)
Zakat and income tax recovered from shareholders	-	-	-	-	138,710	138,710
Balance as at December 31, 2022	1,687,500	418,308	(57,420)	-	3,034,443	5,082,831
Profit for the year	-	-	-	-	1,509,612	1,509,612
Other comprehensive income for the year	-	-	-	-	(49,265)	(49,265)
Total comprehensive income for the year	-	-	-	-	1,460,347	1,460,347
Transfer to statutory reserve (Note 16)	-	87,942	-	-	(87,942)	-
Transaction with owners in their capacity as owners:						
Current period charge	-	-	-	8,182	-	8,182
Treasury shares issued to employees (Note 15)	-	-	8,182	(8,182)	(1,682,567)	(1,682,567)
Dividends (Note 15)	-	-	-	-	(1,682,567)	(1,682,567)
Balance as at December 31, 2023	1,687,500	506,250	(49,238)	-	2,724,281	4,868,793

The accompanying notes form an integral part of these financial statements.


Ibrahim Qassim Al Buainain
Chairman of the Board


Samer Abdulaziz M. Al - Hokail
President & Chief Executive Officer


Mohammed A. Al Nafea
Chief Financial Officer


SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)

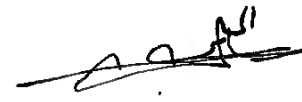
Statement of cash flows


(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Year ended December 31,	
		2023	2022
Cash flows from operating activities			
Profit before zakat and income tax		1,578,972	2,131,610
Adjustments for:			
Depreciation and amortization	5, 6, 7	321,334	340,276
Finance income	29	(130,702)	(34,904)
Non-cash employee expenses		9,001	279
Finance cost	30	142,015	74,402
Property, plant and equipment written off		-	24,464
Fair value gain on derivative financial instruments		-	(6,336)
Provision for employee benefits obligations	19	27,875	26,996
Loss on disposals of property and equipment		106	130
Impairment loss on financial assets	11	1,216	5,727
Allowance for inventory obsolescence and slow moving	10	5,696	13,988
Impairment (reversal) / charge on inventories	10	(12,459)	-
Changes in working capital:			
Inventories		(32,313)	112,186
Trade receivables		(31,904)	(166,192)
Prepayments and other assets		2,026	6,759
Trade payables		499,306	(413,061)
Accrued expenses and other liabilities		(45,690)	138,356
Cash generated from operations		2,334,479	2,254,680
Finance income received		118,474	33,784
Employee benefit obligations paid	19	(11,088)	(37,621)
Zakat and income tax paid	31	(120,239)	(233,979)
Net cash inflow from operating activities		2,321,626	2,016,864
Cash flows from investing activities			
Payments for property, plant and equipment	5	(213,113)	(44,664)
Payments for intangible assets	7	(231)	(3,273)
Investment in short-term deposits		(3,494,931)	(1,034,297)
Withdrawals from short-term deposits		2,018,086	1,031,823
Collection against employees' loans		4,034	8,760
Disbursement of employees' loans		(4,830)	(7,181)
Net cash outflow from investing activities		(1,690,985)	(48,832)
Cash flows from financing activities			
Repayment of borrowings	18	(163,125)	(145,140)
Purchase of treasury shares	15	-	(57,420)
Dividends paid	15	(1,682,567)	(1,125,000)
Principal element of lease payments		(10,075)	(10,002)
Finance cost element of lease payments		(7,031)	(77)
Finance cost paid		(133,961)	(67,802)
Net cash outflow from financing activities		(1,996,759)	(1,405,441)
Net (decrease) / increase in cash and cash equivalents		(1,366,118)	562,591
Cash and cash equivalents at the beginning of the year		1,912,078	1,349,487
Cash and cash equivalents at the end of the year	14	545,960	1,912,078
Supplemental information for non-cash information			
Recognition of provision for decommissioning liability	21	5,444	7,014
Additions to right-of-use assets and lease liabilities	6	88,554	-

The accompanying notes form an integral part of these financial statements.


Ibrahim Qassim Al Buainain
Chairman of the Board


Samer Abdulaziz M. Al - Hokail
President & Chief Executive Officer


Mohammed A. Al Nafea
Chief Financial Officer

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

1. General information

Saudi Aramco Base Oil Company – Luberef (the “Company”) is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia. The Company commenced its operations in Jeddah in 1978 and in Yanbu in 1998. The purpose of the Company is to construct, own and operate refineries of base oils and to purchase, sell, transport, market, import and export base oils, additives, base oil blending stocks, by-products and other related petroleum products.

The Company is registered under Commercial Registration (“CR”) number. 4030010447 issued in Jeddah on 3 Ramadan 1396H (corresponding to 29 August 1976). The Company was converted from a limited liability company to a closed joint stock company pursuant to resolution number 1173 dated Muharram 20, 1444H (corresponding to August 18, 2022) issued by the Ministry of Commerce. On December 28, 2022, the Company completed its Initial Public Offering (“IPO”) and its ordinary shares were listed on the Saudi Stock Exchange (“Tadawul”) accordingly the Company has been categorised as a Saudi Joint Stock Company. The Company is currently under process, to update its status in the commercial registration certificate from closed joint stock company to joint stock company.

The financial statements include the financial information of the Company's head office in Jeddah, its branch in Yanbu and its operations in Hamriyah Free Zone Authority, United Arab Emirates (UAE). The CR number of Yanbu branch is 4700004941. The license certificate number of 11857 for operations in Hamriyah was issued with a status of Free Zone Establishment Company (the “Establishment”) by the Government of Sharjah (UAE), on 26 Rabi-ul-Awal 1435H (corresponding to January 27, 2014). The Company has treated the Free Zone Establishment as a branch in these financial statements as it owns 100% paid up capital of the Establishment.

Saudi Arabian Oil Company (“Saudi Aramco”) owns 70% shareholding of the Company. The Saudi Arabian Government is the largest shareholder with 90.19% direct shareholding in Saudi Aramco. The remaining 29.7% of the Company's shares are held by the private sector and 0.3% are held by the Company as treasury shares.

Saudi Aramco is the immediate parent of the Company. The Company is ultimately controlled by the government of Kingdom of Saudi Arabia.

These financial statements were approved and authorized for issue by the Board of Directors of the Company on February 27, 2024.

2 Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia (KSA) and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

The Company has elected to present a single statement of comprehensive income and presents its expenses by function. The Company reports cash flows from operating activities using the indirect method.

2.2 Basis of measurement

These financial statements have been prepared on a historical cost basis, except for the following:

- The defined benefit obligation which is recognized at the present value of future obligations using the Projected Unit Credit Method; and
- Lease liabilities which are recognized at the present value of future lease payments.

These financial statements are presented in thousands of Saudi Riyal, which is the Company's functional and presentation currency. These financial statements have been rounded-off to the nearest Saudi Riyal thousands, unless otherwise stated.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

2.3 New standards and amendments

New standards and amendments applicable from January 1, 2023

Certain amendments to existing standards became applicable for the current reporting period. The amendments did not have an impact on the financial statements of the Company and accordingly the Company did not have to change its accounting policies or make any retrospective adjustments.

Standards, interpretations and amendments issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2023 reporting periods and have not been early adopted by the Company. The standards, interpretations and amendments issued relevant to the Company, but are not yet effective are disclosed below:

Title	Key requirements	Effective Date
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	The narrow-scope amendments to IAS 1 ‘Presentation of Financial Statements, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the ‘settlement’ of a liability.	January 1, 2024
Amendment to IAS 1 – Non-current liabilities with covenants	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions	January 1, 2024
Supplier Finance arrangements - Amendments to IAS 7 and IFRS 7	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors’ concerns that some companies’ supplier finance arrangements are not sufficiently visible, hindering investors’ analysis.	January 1, 2024
Amendment to IFRS 16 – Leases on sale and leaseback	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	January 1, 2024
Lack of exchangeability – Amendment to IAS 21	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.	January 1, 2025

Management is in the process of assessing the impact, if any, these pronouncements may have in future reporting periods.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

3 Critical accounting estimates and judgments

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, costs, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future period.

These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the periods in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

The key assumption concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial year include:

3.1 Useful life of property, plant and equipment

The Company's management determines the estimated useful life of its property, plant and equipment for calculating depreciation based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Company as well as the duration of lease period. The following primary factors are considered: (a) the expected usage of the assets; (b) the expected physical wear and tear, which depends on operational factors and maintenance plan; and (c) the technical or commercial obsolescence arising from changes in market conditions.

The management periodically reviews the estimated useful lives, residual values and the depreciation method to ensure that depreciation is consistent with the expected pattern of economic benefit of the assets. The Company's assets, classified within property, plant and equipment, are depreciated on a straight -line basis over their economic useful lives.

As at December 31, 2023, if the estimated useful life of the property, plant and equipment increased or decreased by 10%, with all other variables held constant, total comprehensive income for the year ended would have been Saudi Riyals 11.42 million higher or Saudi Riyals 47.08 million (December 31, 2022: Saudi Riyals 28.67 million higher or Saudi Riyals 42.79 million lower), respectively.

3.2 Provision for inventory obsolescence

The Company determines its allowance for inventory obsolescence based upon historical experience, current condition, and current and future expectations with respect to its use. The estimate of the Company's allowance for inventory obsolescence could change from period to period, which could be due to assessment of the future usage of inventory.

At December 31, 2023, if the provision for inventory obsolescence increased/decreased by 10%, with all other variables held constant, the total comprehensive income for the year then ended would have been Saudi Riyals 0.57 million (December 31, 2022: Saudi Riyals 2.85 million lower/higher).

3.3 Employee benefit obligations

The cost of post-employment defined benefits is the present value of the related obligation, as determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, withdrawal before normal retirement age, mortality rates, etc. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

The parameter most subject to change is the discount rate. With respect to determining the appropriate discount rate, yield and duration of high-quality bonds obligation, as designated by an internationally acknowledged rating agency, are extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. See Note 19 for further details.

3.4 Expected Credit Loss (ECL) measurement on financial assets

Measurement of ECL is a significant estimate that involves determination methodology, models and data inputs. The Company uses supportable forward-looking information for measurement of ECL. Details of ECL measurement methodology are disclosed in Note 32.2. The components that have a major impact on credit loss allowance are probability of default ("PD") and loss given default ("LGD"), as well as models of macro-economic scenarios. The Company regularly reviews and validates the models and inputs of the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

At December 31, 2023, if the allowance for ECL increased/decreased by 10%, with all other variables held constant, total comprehensive income for the year ended would have been Saudi Riyals .12 million (December 31, 2022: Saudi Riyals 1.11 million lower/higher).

3.5 Decommissioning obligation

The Company's operational activities are subject to various laws and regulations. The Company estimates decommissioning obligations based on management's understanding of the current legal requirements in the Kingdom of Saudi Arabia, terms of the lease agreements and engineering estimates. Provision is made for decommissioning as soon as the obligation arises. Actual costs incurred in future years could differ materially from the amounts provided. Additionally, future changes to laws and regulations and life of assets estimates could affect the carrying amount of this provision.

3.6 Key accounting judgement - Revenue recognition

The Company has agreements with Saudi Aramco to purchase feedstock for the Company's Jeddah and Yanbu refineries and to supply certain by-products back to Saudi Aramco after the feedstock has been processed and base oil extracted for sale to its other customers (see Note 25). The Company accounts for these transactions separately as purchases of feedstock from, and sales of by-products to, Saudi Aramco, instead of provision of processing services. This is on the basis of the Company's ability to control, obtaining substantial economic benefit and decision making relating to feedstock used and mix of the products produced which are substantially different from the feedstock purchased.

4 Material accounting policies

The material accounting policies applied by the Company in the preparation of the financial statements are set out below. These policies have been consistently applied for all periods presented, unless otherwise stated.

4.1 Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in Saudi Riyals, which is also the Company's functional currency.

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

Differences arising on settlement or translation of monetary items are recognised in the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The financial statements include the financial statements of the Company's branch in Hamriyah Free Zone Authority, United Arab Emirates (UAE). The reporting period of the Company's branch is same as that of the Company i.e. December 31. The Company's branch transactions are principally in United Arab Emirates Dirhams and United States Dollars.

4.2 Current vs non-current classification

The Company presents assets and liabilities in the statement of financial position based on current / non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Company classifies all other assets as non-current. A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

4.3 Property, plant and equipment

Initial recognition

Property, plant and equipment is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the property, plant and equipment will flow to the Company, and the cost of the asset can be measured reliably. Property, plant and equipment is recognised and measured initially at cost. Cost includes the fair value of the consideration given to acquire the asset (net of discounts and rebates) and any directly attributable cost, such as site preparation cost, delivery, installation costs, relevant professional fees and the estimated cost of dismantling and removing the asset and restoring the site (to the extent that such cost is recognised as a provision).

When parts of property, plant and equipment are significant in cost in comparison to the total cost of the item and such parts have a useful life different from other parts, the Company recognises such parts as individual assets and depreciates them accordingly.

Major spare parts qualify for recognition as property, plant and equipment when the Company expects to use them during more than one year. Transfers are made to relevant operating assets category as and when such items are available for use.

Planned turnaround costs are deferred and depreciated over the period until the date of the next planned turnaround. Should an unexpected turnaround occur prior to the previously envisaged date of planned turnaround, the previously undepreciated deferred costs are immediately expensed and the new turnaround costs are depreciated over the period likely to benefit from such costs.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

Subsequent measurement

The Company adopts the cost model to measure the entire class of property, plant and equipment. After recognition as an asset, an item of property, plant and equipment is carried as its cost less any accumulated depreciation and impairment losses, if any.

Subsequent expenditure

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Depreciation

Useful lives are determined by management based on the expected usage of the asset, expected physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of the assets and other similar factors. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Depreciation is calculated on a straight-line basis over the below useful lives and is recognised in the statement of comprehensive income:

Category	Useful life- years
Manufacturing plants	10 - 50
Building and leasehold improvements	20 - 30
Furniture and fixtures	4 - 10
Other machinery and equipment	2 - 15
Motor vehicles	4

The Company has a policy to depreciate refinery turnaround costs upto five years.

De-recognition

Property, plant and equipment is derecognised when it has been disposed or no future economic benefits are expected to arise from its use or disposal. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income at the time the item is derecognised.

Capital work-in-progress (CWIP)

Assets in the course of construction or development are capitalised in the CWIP within property, plant and equipment. The asset under construction or development is transferred to the appropriate category in property, plant and equipment, once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management.

The cost of an item of CWIP comprises its purchase price, construction / development cost and any other cost directly attributable to the construction or acquisition of an item intended by management.

CWIP is measured at cost less any recognised impairment. CWIP is not depreciated. Depreciation only commences when the assets are capable of operating in the manner intended by management, at which point they are transferred to the appropriate asset category.

Borrowing costs

Borrowing costs directly attributable to the acquisition and or construction of property, plant and equipment assets that necessarily take a substantial period of time to prepare for their intended use and a proportionate share of general borrowings are capitalised to the cost of those property, plant and equipment. All other borrowing costs are expensed as incurred and recognised in finance costs.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

4.4 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Assets and liabilities arising from a lease are initially measured on present value. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and restoration costs.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Depreciation of right-of-use assets

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Subsequent measurement

Right-of-use assets

The Company adopts the cost model to measure right of use assets. After recognition as an asset, right-of-use assets are carried at its initial recognition amounts less any accumulated depreciation and impairment losses, if any.

Lease liabilities

The lease liability is measured as follows:

- a) Increasing the carrying amount to reflect interest on the lease liability;
- b) Reducing the carrying amount to reflect the lease payments made; and
- c) Remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

Where the Company is exposed to potential future increases in variable lease payments based on an index or rate, these are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

4.5 Intangible assets

Intangible assets acquired separately are measured at cost upon initial recognition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible asset.

Intangible assets, consisting of computer software and licenses, are recorded at cost, net of accumulated amortisation and impairment losses, if any. Intangible assets are amortised on a straight-line basis over 3 to 15 years.

4.6 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to depreciation / amortisation and are instead tested annually for impairment. Assets subject to depreciation / amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or group of assets (cash generating unit).

Non-financial assets that have been fully or partially impaired are reviewed for possible reversal of all or part of the impairment loss at the end of each reporting period. The amount of any reversal is restricted to the carrying value of the relevant assets if the original impairment had not occurred (i.e., after taking into normal depreciation had no impairment occurred).

The impairment loss is allocated to reduce the carrying amount of the assets of the cash generating unit (group of units) in pro rata on the basis of the carrying amount of each asset in the unit (group of units). These reductions in carrying amounts shall be treated as impairment losses on individual assets and recognised.

4.7 Trade receivables

Trade receivables are amounts due from customers for goods sold and services rendered in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost. Refer Note 32.2 for a description of the Company's impairment policies.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

4.8 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The amount of any write-down of inventories to net realisable value and all losses of inventories shall be recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, shall be recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

4.9 Financial instruments

Classification of financial assets

The Company classifies its financial assets under the following categories:

- Fair value through profit or loss (FVTPL); and
- Amortised cost.

These classifications are on the basis of business model of the Company for managing the financial assets, and contractual cash flow characteristics.

The Company measures financial asset at amortised cost when it is within the business model to hold assets in order to collect contractual cash flows, and contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For assets measured at fair value, gains and losses will be recorded in statement of comprehensive income.

Initial measurement

At initial recognition, financial assets or financial liabilities are measured at their fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in statement of comprehensive income. In the case of financial assets or financial liabilities not at fair value through profit or loss, its fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability is the initial recognition amount.

Classification of financial liabilities

The Company designates a financial liability at fair value through profit or loss if doing so eliminates or significantly reduces measurement or recognition inconsistency or where a group of financial liabilities is managed and its performance is evaluated on a fair value basis.

All other financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset so that the net amount reported in the statement of financial position where the Company currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Reclassifications

Financial assets are reclassified when the Company changes its business model for managing financial assets. For example, when there is a change in management’s intention to hold the asset for a short-term or long-term. Financial liabilities are not reclassified.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

Subsequent measurement

Subsequent measurement of financial assets is as follows:

Debt instruments

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in statement of comprehensive income and presented in other income / (expenses). Impairment losses are presented as separate line item in the statement of comprehensive income.

FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in statement of comprehensive income and presented as fair value gain / (loss) on financial instruments measured at fair value through profit or loss in the statement of comprehensive income in the period in which it arises.

De-recognition

The Company derecognises a financial asset when, and only when the contractual rights to the cash flows from financial asset expire, or it transfers substantially all the risks and rewards of ownership of the financial asset.

Financial liabilities are derecognised when the obligations specified in the contract is discharged, cancelled or expires. A substantial change in the terms of a debt instrument is considered as an extinguishment of the original liability and the recognition of a new financial liability.

The Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognised in profit or loss as the modification gain or loss within other income and expenses.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event (see (ii) above);
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

Impairment of financial assets

The Company assesses the expected credit losses associated with its financial assets carried at amortised cost using expected credit losses model. For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. See Note 32.2 for further details.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

Derivative financial instruments

Derivative financial instruments, including interest rate swaps are carried at their fair value. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year. The Company does not apply hedge accounting.

4.10 Short-term deposits

Short-term deposits include placements with banks and other short-term highly liquid Islamic investments with original maturities of more than three-month but not more than twelve months from the purchase date.

4.11 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash in hand, bank balances and deposits with original maturities of three months or less, if any.

4.12 Share capital

Ordinary shares are classified as equity. Transaction costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

Treasury shares are recognized as a deduction from equity at the amount of consideration paid by the Company for their acquisition, including any directly attributable transaction costs incurred.

4.13 Dividends distribution

Dividend distribution to Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by Company's shareholders.

4.14 Statutory reserve

In accordance with the Regulation of Companies in the Kingdom of Saudi Arabia and the Company's Articles of Association, 10% of the annual net income is required to be transferred to a statutory reserve until this reserve equals at least 30% of the share capital.

4.15 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognised in statement of comprehensive income as other income or finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

4.16 Employee benefits

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Employees' thrift plan

The Company operates a thrift plan to encourage its employees to make savings in a manner that will warrant an increase in their income and contribute to securing their future according to the established plan. The saving contributions from the participants are deposited in a separate bank account other than the Company's normal operating bank accounts.

Post-employment obligation

The Company operates post-employment benefit scheme of defined benefit plan driven by the labor laws and workman laws of the Kingdom of Saudi Arabia after the retirement of employee. End of service payments are based on employees' final salaries and allowances and their cumulative years of service. The Company also provides full medical coverage to Saudi employees and their spouses provided they have completed minimum 25 years of service with the Company and their age is minimum 55 years or the employee reaches the age of sixty.

The post-employment benefits plans are not funded. Accordingly, valuations of the obligations under those plans are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits are recognised immediately in the statement of the comprehensive income while unwinding of the liability at discount rates used are recorded as interest cost. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in the other comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income and transferred to retained earnings in the period in which they occur.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are also recognised immediately in the statement of comprehensive income as past service costs.

4.17 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-zakat and tax rate that reflects current market assessments of the time value of money and the risks specific to liability. The increase in the provision due to the passage of time is recognised as interest expense. The expense relating to a provision is presented in the statement of the comprehensive income, net of reimbursements.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

Decommissioning cost

Provision for decommissioning obligation is recognized when the Company has a liability for restoration work or land rehabilitation. The extent of decommissioning required and the associated costs are dependent on the requirements of current laws and regulations.

Costs included in the provision includes all decommissioning obligations expected to occur over the life of the asset. The provision for decommissioning is discounted to its present value and capitalized as part of the asset under property, plant and equipment and then depreciated as an expense over the expected life of that asset.

Adjustments to the estimated amount and timing of future decommissioning cash flows are a normal occurrence in light of the significant judgments and estimates involved. Such adjustments are recorded as an increase in liability and a corresponding increase in the related asset. Factors influencing those adjustments include:

- developments in technology;
- regulatory requirements and environmental management strategies;
- changes in the estimated extent and costs of anticipated activities, including the effects of inflation; and
- changes in economic sustainability.

4.18 Trade payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using effective interest rate.

4.19 Zakat and income tax

The Company is subject to zakat and income tax in accordance with the regulations of the Zakat, Tax and Customs Authority (the "ZATCA") however subsequent to the listing on Tadawul, the Company is subject to zakat only. Provision for zakat is accrued and charged to the statement of comprehensive income. Additional amounts payable, if any, at the finalisation of final assessments are accounted for when such amounts are determined.

The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

Income tax based on the applicable income tax rate is adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

4.20 Revenue recognition

Revenue is recognised upon the satisfaction of performance obligations, which occurs when control transfers to the customer under contracts for sale of goods. Control of the products is determined to be transferred to the customer when the title of base oil and/or related by-products passes to the customer, which typically takes place when product is physically transferred into a vessel, pipe or other delivery mechanism. The Company has contracts with customers in which supply of the base oil and/or related by-products is the only performance obligation. The Company recognized revenue at a point in time when control of the goods is transferred to the customer, generally on delivery of the goods and revenue from freight over a period of time, when the services are rendered.

The Company has concluded that it is the principal in all of its revenue arrangements since it has the primary obligation in all the revenue arrangements, has pricing latitude, and controls the goods before these are transferred to the customer.

4.21 Expenses

Cost of revenue

Production costs and direct manufacturing expenses are classified as cost of revenue. This includes raw material, direct labor and other attributable overhead costs and freight costs incurred for freight services.

Selling and distribution expenses

Selling and marketing expenses are those arising from the Company's efforts underlying the marketing, selling and distribution functions.

General and administrative expenses

General and administrative expenses pertain to operation expenses which are not directly related to the production of any goods. These also include allocations of general overheads which are not specifically attributed to cost of revenue or selling and distribution expenses. Allocation of overheads among cost of revenue, selling and distribution expenses, and general and administrative expenses, where required, is made on a consistent basis.

4.22 Finance income

Financial income is measured using the effective interest rate, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset or a shorter period, where appropriate, to the net carrying amount of the financial asset.

4.23 Finance cost

Finance cost is recognised for the interest due to the lender of all financial liabilities measured at amortised cost, using the effective interest rate. Effective interest rate is the rate that discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial liability. Additionally, the finance cost also includes time value of money for all the lease liabilities recognised. Finance cost is also recognised due to passage of time whenever a provision or liability has been discounted to its present value.

4.24 Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the net income attributable to the ordinary shareholder of the Company; and
- by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for bonus elements in ordinary shares issued during the period and excluding treasury shares.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2023
(All amounts in Saudi Riyals unless otherwise stated)

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

4.25 Share-based compensation

The cost of an equity-settled award granted to employees is measured by reference to the fair value of the equity instrument on the date the award is granted. This cost is recognized as an employee benefit expense in the statement of comprehensive income with a corresponding increase in equity. The cost of the equity-settled award is recognized over the vesting period, which is the period over which the employees render the required service for the award.

In determining the fair value of an equity-settled award, an appropriate valuation method is applied. Service and non-market performance conditions are not taken into account in determining the fair value of the award, but during the vesting period the likelihood of the conditions being met is assessed as part of the Company's best estimate of the number of awards that are expected to vest. Any market performance conditions and non-vesting conditions are taken into account in determining the award's fair value.

4.26 Segmental reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Company's Board of Directors and the President & Chief Executive Officer ("CEO) who makes decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis and are reported to the Company's Board of Directors and the President & CEO, being Chief Operating Decision Maker ("CODM") of the Company.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

5 Property, plant and equipment						
(a) The movement in property, plant and equipment is as follows:						
Cost		Buildings and		Other	Motor vehicles	Capital work in progress
		Manufacturing plants	leasehold improvements			
At January 1, 2023	7,737,478	330,983	27,367	243,888	2,356	196,630
Additions	5,444	-	-	-	-	248,738
Disposals	(110)	-	-	-	-	-
Transfers	84,433	-	-	696	731	(85,860)
At December 31, 2023	7,827,245	330,983	27,367	244,584	3,087	359,508
8,792,774						
Accumulated depreciation						
At January 1, 2023	3,204,782	280,546	26,902	205,227	2,213	-
Charge of the year	290,438	5,580	141	6,080	238	-
Disposals	(4)	-	-	-	-	-
At December 31, 2023	3,495,216	286,126	27,043	211,307	2,451	-
4,022,143						
Net book value:						
December 31, 2023	4,332,029	44,857	324	33,277	636	359,508
4,770,631						
Cost						
At January 1, 2022	7,723,139	330,699	27,367	243,536	2,356	184,532
Additions	-	-	-	-	-	51,678
Disposals	(141)	-	-	-	-	-
Write-offs	-	-	-	-	-	(24,464)
Transfers	14,480	284	-	352	-	(15,116)
At December 31, 2022	7,737,478	330,983	27,367	243,888	2,356	196,630
8,538,702						
Accumulated depreciation						
At January 1, 2022	2,888,207	274,628	26,750	197,552	2,048	-
Charge of the year	316,586	5,918	152	7,675	165	-
Disposals	(11)	-	-	-	-	-
At December 31, 2022	3,204,782	280,546	26,902	205,227	2,213	-
3,719,670						
Net book value:						
December 31, 2022	4,532,696	50,437	465	38,661	143	196,630
4,819,032						

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF

(A Saudi Joint Stock Company)

Notes to the financial statements for the year ended December 31, 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

- (b) Manufacturing plants include deferred refinery turnaround costs. The movement in deferred refinery turnaround costs during the year ended, is analyzed as under:

	2023	2022
Cost:		
Opening balance	113,673	113,673
Addition during the year	72,469	-
Closing balance	186,142	113,673
Accumulated depreciation:		
Opening balance	94,569	71,859
Amortization during the year	15,553	22,710
Closing balance	110,122	94,569
Carrying amount	76,020	19,104

- (c) Additions during the year in capital work in progress principally relate to the normal additions to Yanbu and Jeddah refineries. Capital work in progress at December 31, 2023 relates to the development and enhancement works for the Company's refineries in Jeddah and Yanbu. The management expects that the capital work in progress for Jeddah and Yanbu refineries will be completed within a year.

- (d) During the year, the Company reviewed and revised the useful lives and residual value of Yanbu refinery manufacturing plants. As a result, effective October 1, 2023, the Company changed its estimated useful lives and residual value of these assets to better reflect the estimated periods during which these assets will remain in service. The estimated useful lives of manufacturing plants that previously averaged 22 years were increased to 25 years. Had there been no revision to the useful lives, the depreciation charge for the year ended December 31, 2023 would have been higher by Saudi Riyals 12.3 million.

- (e) In prior years, a contractor for Yanbu Expansion Project has submitted claims and appeals amounting to Saudi Riyals 222.52 million. After the assessment on the procedural and substantive grounds, management has rejected these claims. In 2023 management has concluded negotiations with the contractor and accepted claims amounting to Saudi Riyals 35.62 million and such amount is included as part of the additions in capital work-in-progress in the current year as the project is currently on-going.

- (f) Depreciation charge for the year has been allocated as follows:

	Note	2023	2022
Cost of revenue	26	301,754	329,733
General and administrative expenses	28	722	765
		302,476	330,498

6 Leases

The Company leases various lands, pipelines, equipments, buildings and motor vehicles. Rental contracts are typically made for fixed periods of 1 to 30 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

At December 31, 2023, the Company did not have any lease contracts classified as right-of-use asset that are variable in nature. Some leases contain extension options exercisable by the Company before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The Company assesses at lease commencement whether it is reasonably certain to exercise the option. The Company does not provide residual value guarantees in relation to any of its leases.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF

(A Saudi Joint Stock Company)

Notes to the financial statements for the year ended December 31, 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

- a) Right-of-use assets

	Lands	Generators	Admin Building	Others	Total
At January 1, 2022	92,411	-	-	9,200	101,611
Depreciation	(4,325)	-	-	(2,912)	(7,237)
At December 31, 2022	88,086	-	-	6,288	94,374
Additions*	44,539	30,168	13,847	-	88,554
Depreciation	(4,325)	(6,285)	(2,308)	(2,912)	(15,830)
At December 31, 2023	128,300	23,883	11,539	3,376	167,098

* During the year, the Company entered into lease agreements for electric generators for Jeddah refinery and new head office building in Jeddah. Further during the current year, management has reassessed the extension option over Yanbu lease land and recognised an additional Saudi Riyals 44.54 million.

Depreciation on right-of-use assets is charged to the statement of comprehensive income using the straight-line method to allocate their costs over their lease term which are as follows:

Category	Useful life - years
Lands	30 - 99
Generator	5
Admin building	5
Other	5 - 27

- b) Lease liabilities

	2023	2022
Opening balance	107,791	112,803
Additions *	88,554	-
Lease payments **	(17,106)	(10,079)
Interest on lease liabilities	7,031	5,067
Closing balance	186,270	107,791

Lease liabilities	2023	2022
Current	22,428	10,340
Non-current	163,842	97,451
	186,270	107,791

** Lease payments include a payment made to Royal Commission of Yanbu, related party for Yanbu land lease contract amounting to Saudi Riyals 5.8 million during the year ended December 31, 2023 (2022: Nil).

As at December 31, 2023, potential future cash outflows of Saudi Riyals 591.34 million (undiscounted) have been included in the lease liability because it is reasonably certain that the lease will be extended (December 31, 2022: Saudi Riyals 109.73 million), as the Company has incurred significant capital expenditure on the land.

The initial assessment of the land lease contract with the Royal Commission for Jubail and Yanbu has been revised. For the computation of the lease liabilities, the lease term applied has been extended to reflect the Company's reasonable expectations of the period during which the underlying asset will be used. Considering the broader economics of the contract and recent developments, the Company is reasonably certain that parties to the contract will exercise extension options given in the land lease agreements. As a consequence of this change in assessment, the lease term for the Yanbu land lease contract has been extended to 99 years.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. During the current financial year, there were no revisions of lease terms due to exercising extension and termination options.

Amounts recognised in the statement of comprehensive income

	For the year ended December 31,	
	2023	2022
Depreciation charge on right-of-use assets	15,830	7,237
Interest expense (included in finance costs - Note 30)	7,031	5,067
Expense relating to tank rents (short-term leases) are included in selling and distribution expenses - Note 27	14,843	9511

Depreciation on right-of-use assets for the year has been allocated as follows:

	Note	2023	2022
Cost of revenue	26	12,150	5,844
General and administrative expenses	28	3,680	1,393
		<u>15,830</u>	<u>7,237</u>

7 Intangible assets

	2023	2022
Cost		
Opening balance	36,112	32,839
Additions	231	3,273
Closing balance	<u>36,343</u>	<u>36,112</u>
Accumulated amortization		
Opening balance	17,998	15,455
Charge for the year	3,026	2,543
Closing balance	<u>21,024</u>	<u>17,998</u>
Closing carrying amount	<u>15,319</u>	<u>18,114</u>

Intangible assets comprise of software and its development cost.

8 Employees' home ownership receivables

	Note	2023	2022
Employees' home ownership receivables		1,950	3,300
Less: current portion	12	<u>(1,462)</u>	<u>(1,350)</u>
		<u>488</u>	<u>1,950</u>

In the previous years, the Company had a Home Ownership Program that offered eligible Saudi employees' home ownership opportunities. During 2010, the Company constructed and sold 133 residential houses for outright sale to the employees. Houses were sold to eligible employees and a receivable was recorded against such sale, which does not bear any finance charges and is expected to be collected over a period of 15 years. Deductions are made monthly from the employees' salaries up to 25% of their basic salaries. The Company has the legal documents of the property as collateral having fair value higher than the receivable balance to be collected from the employee and shall transfer the legal title of those residential houses to the concerned employees at the time of final settlement of the loan.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

The Company shall transfer the legal title of those residential houses to the concerned employees at the time of final settlement of the loan.

9 Loans to employees

Loans to employees comprise the following:

	Note	2023	2022
Home loans to employees	9(a)	19,618	17,422
Other loans to employees	9(b)	1,544	1,382
Less: current portion	12	<u>(3,638)</u>	<u>(2,321)</u>
		<u>17,524</u>	<u>16,483</u>

(a) Home loans to employees

Home loans are given to eligible Saudi employees of the Company under a scheme approved by the Board of Directors. Under this scheme, loans are provided to eligible employees for the purpose of purchasing or constructing their residential houses. Such loans, which do not bear any finance charges, are repayable by the employee as per the agreement with the employee. The Company retains the title of the property until the employee has settled all dues. The fair value of the related collateral property is higher than the carrying value of the home loan to employees.

(b) Other loans to employees

Such loans are given to eligible Saudi employees of the Company under a scheme approved by the Board of Directors. Under this scheme, the employees are eligible for loans up to 80% of their end of service benefits accrued. Such loans, which do not bear any finance charges, are repayable by the employees over 36 months and are secured against the related employees' end of service benefits.

Other loans to employees are recognised as a non-current financial asset at fair value and measured at amortised cost using the EIR method. The difference between the fair value and the actual amount of cash given to the employee is recognised as an expense. The carrying amount of employees' loans on each reporting date approximates the fair value of these balance.

10 Inventories

	2023	2022
Finished goods	246,953	224,504
Production in progress	200,041	200,251
Spare parts and consumables materials	103,469	97,827
Raw material - feedstock	<u>94,263</u>	<u>89,831</u>
	<u>644,726</u>	<u>612,413</u>
Less: Allowance for slow moving and inventory obsolescence	<u>(21,761)</u>	<u>(28,524)</u>
	<u>622,965</u>	<u>583,889</u>

Amounts of inventories recognised as an expense are disclosed in Note 26.

Movement in provision for slow moving and inventory obsolescence is as follows:

	2023	2022
Opening balance	28,525	14,537
Additions for the year	5,695	13,987
Reversal for the year*	<u>(12,459)</u>	<u>-</u>
Closing balance	<u>21,761</u>	<u>28,524</u>

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)Notes to the financial statements for the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

* During the current year, the Company was successful in its insurance claims related to spare parts and consumables that were damaged due to heavy rain in Jeddah in 2022. The Company is in the process of completing the legal formalities related to claim proceeds. The reversal of the provision for the year has been recognized in cost of revenue within the statement of comprehensive income.

11 Trade receivables	Note	2023	2022
Trade receivables		432,803	664,464
Related parties	24	633,322	369,757
		1,066,125	1,034,221
Allowance for expected credit losses		(12,295)	(11,079)
		1,053,830	1,023,142

Related parties' balances amounting to Saudi Riyals 436.29 million (December 31, 2022: Saudi Riyals 444.37 million) have been offset against the related parties' trade payables in the statement of financial position. For details, refer to Note 22.

Due to the short-term nature of the trade receivables, their carrying amounts are considered to approximate their fair value and are generally settled within 12 months from the reporting date.

Movement in provision for impairment of trade receivables is as follows:

	2023	2022
Opening balance	11,079	5,352
Charge for the year *	1,216	5,727
Closing balance	12,295	11,079

* This includes Saudi Riyals 1.21 million charge for the year ended December 31, 2023, pertaining to related parties (December 31, 2022: Saudi Riyals 0.97 million).

Information about the impairment of trade receivables and the Company's exposure to credit risk, market risk and liquidity risk can be found in Note 32.2.

12 Prepayment and other assets	Note	2023	2022
Prepaid insurance		11,474	5,033
Advances to suppliers		9,712	9,297
Loans to employees	9	3,638	2,321
Employees' home ownership receivables	8	1,462	1,350
Prepaid housing allowance		-	8,314
Others		1,049	1,240
		27,335	27,555

Loans to employees, employees' home ownership receivables, interest receivables and other receivables are generally settled within 12 months from the reporting date. Hence, their carrying amount is considered to be the same as fair value.

13 Short-term deposits

The Company invested Saudi Riyals 1,619.75 million (December 31, 2022: Saudi Riyals 146.85 million) in Murabaha deposits. The accrued profit from Murabaha deposits amounted to Saudi Riyals 15.57 million (December 31, 2022: Saudi Riyals 1.35 million). These short-term deposits, with maturity periods ranging from 96 days to 146 days, were held by commercial banks and are due to mature from January 3, 2024, to April 2, 2024. The Company had placed short-term Murabaha deposits on a recurring basis during the year ended December 31, 2023, the last short-term Murabaha deposit matured on December 27, 2023.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)Notes to the financial statements for the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

The Murabaha deposits are held with banks having sound credit ratings. The fair value at each reporting date is estimated to be the same as their carrying value as they are short-term in nature and profit on Murabaha deposits is based on market prevailing rates.

14 Cash and cash equivalents	2023	2022
Cash in hand	80	110
Cash at banks	545,880	128,808
Murabaha deposits*	-	1,783,160
	545,960	1,912,078

Cash at banks and Murabaha deposits are placed with banks having sound credit ratings (refer to Note 32.2). The carrying value at each reporting date is considered to be the same as fair value. Time deposits are placed with local commercial banks and yield shariah compliant financial income at prevailing market rates with original maturities of three months or less.

*As at December 31, 2023, the Company has invested all the balance in to short-term Murabaha deposits having maturity above 90 days.

15 Share capital	2023	2022
15.1 Issued and paid-up capital		
Ordinary shares of Saudi Riyals 10 each (December 31, 2022: Saudi Riyals 10 each)	1,687,500	1,687,500
Issued share and paid-up capital		
Number of shares	168,750	168,750

15.2 Dividend

On April 30, 2023, the shareholders approved a dividend of Saudi Riyals 841.29 million for Saudi Riyals 5 per share which was paid in May 2023. Further on July 27, 2023, the Board of Directors approved an interim dividend of Saudi Riyals 841.28 million for Saudi Riyals 5 per share which was paid in October 2023. Subsequently, on February 27, 2024, the Board of Directors recommended a final dividend of Saudi Riyals 5 per share amounting to Saudi Riyals 841.28 million.

15.3 Treasury shares

On December 28, 2022, the Company acquired 580,000 ordinary shares from Jadwa Industrial Investment Company for cash consideration of Saudi Riyals 57.42 million. The number of treasury shares issued to employees during the year was 82,650 (2022: Nil) in relation to the grant awarded in 2022 (Note 15.4).

These shares were classified by the Company as treasury shares for the purposes of issuing them to the Company's employees upon vesting or purchase of the shares in the employee share plans, including those that the Company may adopt in the future.

15.4 Share-based compensation

This share-based compensation relates to a grant of ordinary shares awarded on December 28, 2022 to the Company's eligible employees under the plan terms of the grant. The grant is subject to a 12-month vesting period from its grant date and is subject to a service condition during the vesting period.

The grant was settled with the employees in shares on vesting date i.e. December 28, 2023. The fair value of the grant was determined by reference to the market value of the Company's ordinary shares on the date of grant for equity-settled awards. The participants in the grant are entitled to dividend equivalents, if dividends are declared to ordinary shareholders, during the vesting period. Such dividend equivalents have been paid in cash on vesting of the grant. The value of the share-based compensation expense is recognised in the statement of comprehensive income and has created the share-based payment reserve.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF

(A Saudi Joint Stock Company)

Notes to the financial statements for the year ended December 31, 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

16 Statutory reserve

In accordance with the Company's By-laws, the Company must set aside 10% of its annual net income as the statutory reserve until it reaches 30% of the share capital. This reserve is not available for distribution to shareholders.

17 Earnings per share

	2023	2022
Net profit attributable to owners of the Company	1,509,612	1,978,080
Weighted average number of shares *	168,171	168,744
Basic / diluted earnings per share (Saudi Riyals per share)	8.98	11.72

As at December 31, 2023, the Company does not have any potential ordinary shares. The grant did not have a significant dilution effect on basic earnings per share for the year ended December 31, 2023.

18 Borrowings

Long-term borrowings comprise of the following:

	2023	2022
Islamic banking facilities (Murabaha)	1,942,104	2,104,860
Less: current portion of long-term borrowings	(198,354)	(164,235)
	<u>1,743,750</u>	<u>1,940,625</u>

Currency denomination of the borrowings in Saudi Riyals equivalent is as follows:

	2023	2022
Saudi Riyals	1,456,606	1,578,653
United States Dollars ("USD")	485,498	526,207
	<u>1,942,104</u>	<u>2,104,860</u>

On August 19, 2021, the Company entered into an Islamic loan agreement under Murabaha arrangement. The agreement involved a syndication of Saudi Riyals 1,687.5 million from five local banks. In addition USD 150 million (equivalent of Saudi Riyals 562.5 million) from a commercial bank. The principal repayments have begun from June 30, 2022 and will continue on an agreed semi-annual installment basis till June 30, 2029. These facilities bear finance costs at market rates, which are generally based on Saudi Inter Bank Offered Rate ("SIBOR") for Saudi Riyals denominated borrowings and on Term Secured Overnight Financing Rate ("Term SOFR") for USD denominated borrowings. The spread during the year ended December 31, 2023 on these facilities varied between 0.75% - 1% (year ended December 31, 2022: 0.75% - 1% per annum). Moreover, there is no collateral on the Company's assets due to these long-term borrowing agreements.

The above long-term borrowing agreements contain certain covenants, which among other things, require the Company to maintain net debt to equity and certain other financial ratios. As at and during the year ended December 31, 2023 and 2022, the Company was compliant with all the covenants with the lenders.

As at December 31, 2023, the Company has a Islamic credit facility from a local commercial bank for managing its working capital amounting to Saudi Riyals 40 million (December 31, 2022: Saudi Riyals 40 million). The facility is subjected to Shariah principles and is denominated in Saudi Riyals and bears profit margin that is payable based on prevailing market rates i.e. SIBOR +1.5%. There are no financial covenants applicable to the Company under such facility with the respective bank. The facility is unsecured. The maturity of the Islamic credit facility is within twelve months. Total unused credit facility available to the Company as at December 31, 2023 is Saudi Riyals 40 million (December 31, 2022: Saudi Riyals 40 million).

Fair value of long-term borrowings is approximately equal to their carrying amounts as they are subject to variable interest at market rates. Finance costs recognized as expense on the above borrowings have been disclosed in Note 30.

The Company's main interest rate risk arises from borrowings with variable rates, which expose the company to cash flow interest rate risk. During the year ended December 31, 2023 and 2022, the Company's borrowings at variable rates were mainly denominated in Saudi Riyals and USD.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF

(A Saudi Joint Stock Company)

Notes to the financial statements for the year ended December 31, 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

The breakdown of the aggregate maturities of borrowings is as follows:

	2023	2022
2023	-	164,235
2024	198,354	196,875
2025	225,000	225,000
2026	258,750	258,750
2027	270,000	270,000
2028	315,000	315,000
2029	675,000	675,000
	<u>1,942,104</u>	<u>2,104,860</u>

Subsequent to December 31, 2023, the Company's Board of Directors has approved the early settlement of the Company's borrowings by Saudi Riyals 937.5 million.

19 Employee benefit obligations

Employee benefit obligations comprise the following:

	Note	2023	2022
Employees' end of service benefits	19(a)	136,610	135,079
Employees' post-retirement health care benefit	19(b)	192,569	128,048
		<u>329,179</u>	<u>263,127</u>

(a) Employees' end of service benefits

The Company has an employment defined benefit plan. The benefits are required by Saudi Labor Law. The benefit is based on the employees' final salaries and allowances and their cumulative years of service, as stated in the laws of Saudi Arabia.

The following table summarizes the components of the net benefit expense recognized in the statement of comprehensive income and amounts recognized in the statement of financial position.

Movement in the present value of defined benefit obligation:

	2023	2022
Opening balance	135,079	154,835
<i>Included in profit or loss:</i>		
Current service cost	9,991	10,398
Interest cost	6,521	4,164
	<u>16,512</u>	<u>14,562</u>
<i>Included in other comprehensive income:</i>		
Actuarial (gain) / loss on obligation	(6,443)	1,776
Benefits paid during the year	(8,538)	(36,094)
Closing balance	<u>136,610</u>	<u>135,079</u>

Significant assumptions used in determining the employment defined benefit obligation include the following:

	2023	2022
Discount rate	5.02%	4.80%
Future salary increase rate	4.80% - 5.00%	4.80% - 5.00%

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF

(A Saudi Joint Stock Company)

Notes to the financial statements for the year ended December 31, 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

A quantitative sensitivity analysis for significant assumptions on the defined benefit obligation is shown below:

Discount rate:

	2023	2022
0.5% increase in discount rate	(5,462)	(5,434)
0.5% decrease in discount rate	5,958	5,870

Future salary growth rate:

0.5% increase in future salary growth rate	5,910	4,877
0.5% decrease in future salary growth rate	(5,525)	(4,564)

The sensitivity analysis is based on a change in one assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee termination.

The expected maturity analysis of undiscounted employee benefit obligations as at December 31, 2023 is as follows:

Less than a year	8,207
Between 1 – 5 years	64,492
Over 5 years	76,716
	<u>149,415</u>

(b) Employees' post-retirement health care benefit

The Company provides full medical coverage to Saudi employees and their spouses provided they have completed a minimum 25 years of service with the Company and their age is minimum 55 years or the employee reaches the age of 60. The employees who joined the Company after February 28, 2021 will not be eligible for this benefit.

The following table summarizes the components of the net benefit expense recognized in the statement of comprehensive income and the amounts recognized in the statement of financial position:

Movement in the present value of defined benefit obligations:

	2023	2022
Opening balance	128,048	166,835
<i>Included in profit or loss:</i>		
Current service cost	4,037	6,829
Interest cost	7,326	5,605
	11,363	12,434
<i>Included in other comprehensive income:</i>		
Actuarial loss / (gain) on obligation	55,708	(49,694)
Benefits paid during the year	(2,550)	(1,527)
Closing balance	<u>192,569</u>	<u>128,048</u>

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF

(A Saudi Joint Stock Company)

Notes to the financial statements for the year ended December 31, 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

Significant assumptions used in determining the post-employment defined benefit obligation includes the following:

	2023	2022
Discount rate	5.80%	5.65%
Medical rate (pre-retirement and post-retirement)	10.00%	7.65%

A quantitative sensitivity analysis for significant assumptions on the defined benefit obligation is shown below:

	2023	2022
<i>Discount rate:</i>		
0.5% increase in discount rate	(21,297)	(15,762)
0.5% decrease in discount rate	25,172	18,957

Medical rate (Pre-Retirement):

0.5% increase in medical rate (Pre-Retirement)	6,906	4,672
0.5% decrease in medical rate (Pre-Retirement)	(6,313)	(4,255)

Medical rate (Post Retirement):

0.5% increase in medical rate (Post-Retirement)	16,545	13,530
0.5% decrease in medical rate (Post-Retirement)	(14,781)	(11,790)

The sensitivity analysis is based on a change in one assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligations to significant actuarial assumptions the same method (present value of defined benefit obligations calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee termination.

The expected maturity analysis of undiscounted Employees' post-retirement health care benefit as at December 31, 2023 is as follows:

Less than a year	2,758
Between 1 – 5 years	15,312
Over 5 years	25,533
	<u>43,603</u>

20 Other non-current liabilities

	2023	2022*
Employees' thrift plan	3,672	4,467
Chronic Medical Circumstance	750	868
	<u>4,422</u>	<u>5,335</u>

* Refer to Note 35 regarding the comparatives.

21 Provision for decommissioning obligation

Decommissioning provision is made for the refinery closure, reclamation and dismantling obligation of the of the refineries. These obligations are expected to be incurred in the year in which the respective refinery is expected to be closed. Management estimates the provision based on management's understanding of the current legal requirements in the Kingdom of Saudi Arabia, terms of the lease agreements and engineering estimates.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF

(A Saudi Joint Stock Company)

Notes to the financial statements for the year ended December 31, 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

The provision for decommissioning obligation represents the present value of full amount of the estimated future closure and reclamation costs, based on information currently available including closure plans and applicable regulations. Future changes, if any, in regulations and cost assumptions may be significant and will be recognised when determined.

The initial assessment of site restoration under the contract with the Royal Commission for Jubail and Yanbu has been revised. Considering the broader economics of the contract and recent developments, the Company is reasonably certain that the Company contract partners will exercise extension options given in the land lease agreement. As a consequence of this change in assessment, the decommissioning on the Yanbu land has been recognised for 99 years.

Movement in provision for decommissioning is as follows:

	2023	2022
Opening balance	39,081	31,413
Addition during the year*	5,444	7,014
Unwinding of discount	654	654
Closing balance	45,179	39,081

* During the year ended December 31, 2023, the management has reassessed its expected costs for decommissioning obligation of the Yanbu land and refinery is Saudi Riyals 5.44 million. In 2022, the Company reassessed its expected costs decommissioning obligation of the Jeddah land and refinery and an addition of Saudi Riyals 7.01 million was recognized.

22 Trade and other payables

	Note	2023	2022
Related parties	24	1,072,782	506,406
Third parties		59,403	112,904
Employees' thrift plan	22(a)	31,032	32,789
Advances from customers		10,947	22,390
		1,174,164	674,489

Trade payables are unsecured and are usually paid within 3-12 months of recognition. The carrying amounts of trade payables are considered to approximate their fair values, due to their short-term nature.

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position where the Company currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Company has an agreement with Saudi Aramco to purchase feedstock and sell by-product in Jeddah refinery. The settlement of these transactions takes place after 90 days and net payment is made to or received from Saudi Aramco.

The following table presents the recognised financial instruments that are offset, or subject to enforceable netting arrangements:

	Effects of offsetting on the statement of financial position		
	Gross amounts	Amounts set off	Net amounts presented
December 31, 2023			
Related party receivables	1,069,616	(436,294)	633,322
Related party payables	1,509,076	(436,294)	1,072,782
December 31, 2022			
Related party receivables	814,125	(444,368)	369,757
Related party payables	950,774	(444,368)	506,406

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF

(A Saudi Joint Stock Company)

Notes to the financial statements for the year ended December 31, 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

(a) Employees' thrift plan

The movement in employees' thrift plan is as follows:

	2023	2022
Opening balance	37,256	36,624
Contribution for the year	14,507	15,631
Withdrawals during the year	(17,059)	(14,999)
Closing balance	34,704	37,256

	Note	2023	2022
Non-current	20	3,672	4,467
Current		31,032	32,789
		34,704	37,256

23 Accrued expenses and other liabilities

	2023	2022
Accrued expenses	111,971	112,667
Net value added tax (VAT) payable	47,222	55,306
Accrual for rebates and discounts	40,452	42,956
Accrued bonus	21,150	20,795
Others	6,237	5,373
	227,032	237,097

24 Related party transactions and balances

Related parties comprise the shareholders and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Related parties also include business entities in which certain directors or senior management have an interest (other related parties). Moreover, the Company is ultimately controlled by the government of the Kingdom of Saudi Arabia.

Following is the list of related parties with whom the Company has significant transactions and balances:

Shareholder and Immediate Parent

Saudi Aramco

Entities under common control

Saudi Aramco Mobil Refinery Company Ltd. ("SAMREF")

S-Oil Singapore Pte. Ltd

S-Oil Corporation

Motiva Trading LLC

Aramco Chemical Company

Aramco Lubricants and Retail Company

Saudi Aramco Technologies Company

Aramco Trading company

Agreements with Saudi Aramco

1. Purchase and sale contracts at Jeddah and Yanbu refinery

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

The Company has agreements with Saudi Aramco for the purchase of feedstock for its Jeddah and Yanbu refineries. The Company also has an offtake agreement with Saudi Aramco for the sale of certain products. The pricing mechanism for the sale and purchase of these products is based on formulae, that has external inputs mentioned in the contracts.

2. Technical management, support services and leases

Saudi Aramco also provides operational technical, utilities and human resources support to the Company on commercial terms. The Company also has two lease agreements with Saudi Aramco for land rentals and pipelines in Jeddah, which are on agreed terms.

Agreement with SAMREF

The Company has an agreement for the sale of certain products from its Yanbu refinery to SAMREF. The pricing mechanism is based on a formula, that has external inputs mentioned in the contract. The Company also receives technical and management support services from SAMREF which are on agreed terms.

Transactions with key management personnel

Key management personnel include all the heads of departments and key personnel involved the in Company's operations. The compensation to key management personnel for the year is shown below:

	2023	2022
Short-term employee benefits	33,917	28,353
Provision for employee benefit obligations	2,788	2,341

All related party transactions were made on terms as specified in the agreements with the related parties. The credit terms with all related parties range from 30 to 90 days.

During the year ended December 31, 2023, the Company has remunerated Saudi Riyals 3.65 million to non-executive independent directors for attending the board of directors' meetings (2022: Saudi Riyals 0.03 million).

(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

24 Related party transactions and balances (continued)

Significant transactions and balances with related parties in the ordinary course of the business included in the financial statements are summarized below:

Related party Due from related parties	Nature of transaction	Amount of transactions for the year ended December 31,		Balance as at December 31,	
		2023	2022	2023	2022
Saudi Aramco SAMREF S-Oil Singapore Pte. Ltd. S-Oil Corporation Motiva Trading LLC Aramco Chemical Company Aramco Lubricants and Retail Company Jadwa Industrial Investment Company (former shareholder) Aramco Trading Company	Sales of by products	3,174,784	3,686,719	287,201	121,653
	Sales of by products	822,190	932,250	163,676	147,222
	Sales of base oil	997,101	1,245,279	130,639	68,820
	Sales of base oil	74,307	25,250	12,861	24,647
	Sales of base oil	39,887	19,314	21,797	-
	Sales of base oil	-	19,255	-	6,174
	Sales of base oil	30,745	11,916	5,958	1,241
	Acquisition of treasury shares	-	57,420	-	-
Due to related parties	Recovery of IPO related expenses	-	25,610	-	-
	Sales of base oil	9,730	-	11,190	-
				633,322	369,757
Saudi Aramco	Purchase of feedstock, materials and utilities	6,285,367	6,725,481	1,049,359	468,740
	Technical and management support services	25,357	23,329	23,423	25,972
	Lease rental for Jeddah refinery land and Yanbu refinery pipeline	2,644	2,644	-	-
	Dividends	1,181,250	884,597	-	-
	Technical and management support services	1,089	1,193	-	-
	Purchase of base oil	434,548	328,127	-	11,694
	Purchase of base oil	66,223	-	-	-
	Technical and management support services	375	300	-	-
SAMREF S-Oil Corporation Motiva Saudi Aramco Technologies Company				1,072,782	506,406

The Company's revenues derived from sales to Saudi Aramco and entities under its common control accounted for approximately 33% and 21% (December 31, 2022: 35% and 21%) respectively, of the total revenue. Refer to Note 11 for the impairment loss charge for the year ended December 31, 2023 and 2022.

164 Financial Statements

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)

Notes to the financial statements for the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

25 Revenue

The Company derives revenue from the transfer of goods at a point in time and revenue from freight and services to Saudi Aramco over a period of time. The Company has the following major product lines:

	2023	2022
Revenue from base oil sales*	5,249,316	5,769,513
Revenue from by-products sales	4,239,363	4,844,379
	<u>9,488,679</u>	<u>10,613,892</u>

*During the year ended December 31, 2023, the Company has recognized revenue from freight services amounting to Saudi Riyals 80.40 million (December 31, 2022: Saudi Riyals 78.98 million).

The management has categorized its geographical operations as follows:

	2023	2022
Geographic information		
Revenues from local sales		
Kingdom of Saudi Arabia	5,710,972	6,739,626
Revenues from export sales		
United Arab Emirates	2,332,026	2,093,438
India	726,280	980,423
Egypt	110,666	202,199
Singapore	174,763	200,336
United States of America	97,555	141,703
Others	336,417	256,167
Total	<u>9,488,679</u>	<u>10,613,892</u>

26 Cost of revenue

	Note	2023	2022*
Cost of materials		6,906,557	7,388,311
Depreciation on property, plant and equipment	5	301,754	329,733
Employee related costs		192,722	185,036
Freight cost		126,734	149,045
Depreciation on right-of-use assets	6	12,150	5,844
Amortization of intangible assets		955	527
Others		89,438	121,710
		<u>7,630,310</u>	<u>8,180,206</u>

* Refer to Note 35 regarding the comparatives.

27 Selling and distribution expenses

	2023	2022*
Tank rents	14,843	9,511
Demurrage charges	5,997	4,091
Others	16,514	13,314
	<u>37,354</u>	<u>26,916</u>

* Refer to Note 35 regarding the comparatives.

Financial Statements 165

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)

Notes to the financial statements for the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

28 General and administrative expenses

	Note	2023	2022*
Employee related costs		146,400	141,887
Consultancy charges		43,992	39,048
Telephone and postage		4,730	5,637
Depreciation on right-of-use assets	6	3,680	1,393
Board of directors' fees		3,653	33
Insurance		2,310	1,433
Amortization of intangible assets		2,072	2,015
Depreciation on property, plant and equipment	5	722	765
Others		21,955	18,743
		<u>229,514</u>	<u>210,954</u>

* Refer to Note 35 regarding the comparatives.

29 Finance income

	2023	2022
Finance income with respect to:		
- Profit on Murabaha deposits	128,980	33,429
- Finance income on unwinding of loans	1,722	1,475
	<u>130,702</u>	<u>34,904</u>

30 Finance cost

	Note	2023	2022
Finance costs with respect to:			
- Murabaha (Islamic)		134,330	68,681
- Interest on lease liabilities	6	7,031	5,067
- Unwinding of decommissioning provision	21	654	654
		<u>142,015</u>	<u>74,402</u>

31 Zakat and income tax

The Company is subject to zakat which is payable at 2.58% of approximate zakat base (excluding adjusted net income for the year) and at 2.5% of the adjusted net income for the year.

31.1 Charge for the year

The charge for the year ended December 31 consists of the following:

	Note	2023	2022
Zakat charge	31.2	61,660	21,449
Income tax charge	31.4	7,700	192,219
Deferred tax charge		-	(60,141)
		<u>69,360</u>	<u>153,527</u>

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

31.2 Components of zakat base

The significant components of the non-Aramco Saudi shareholder's share of approximate zakat base for year ended December 31 comprised the following:

	2023	2022
Equity at beginning of year	5,140,252	4,244,546
Treasury shares	(49,238)	(57,420)
Provision at beginning of year	394,344	307,003
Borrowings	1,942,104	2,104,860
Lease liabilities	186,270	107,791
Re-measurement (loss) / gain on employee benefit obligations	(49,265)	47,918
Property, plant and equipment	(4,770,631)	(4,819,032)
Right-of-use assets	(167,098)	(94,374)
Intangible assets	(15,319)	(18,114)
Dividend	(1,682,567)	(1,125,000)
Spare parts and consumables materials	(103,469)	(97,827)
Approximate zakat base	825,383	600,351
Total elements subject to Zakat excluding the amended income @ (365/354)	851,028	189,271
Adjusted net income		
Net profit before zakat	1,578,972	651,775
Provisions	28,460	2,448
Others	7,931	14,501
	1,615,363	668,724
Total zakat base	2,466,391	857,995
Approximate zakat provision for the year	61,660	21,450

* The Company was listed on Tadawul on December 28, 2022 and is only subject to zakat charge which resulted in an increase in the zakat expense and decrease in the income tax expense in the current year.

31.3 Provision for zakat and income tax

The movement in zakat and income tax payable is as follows:

	Income tax	Zakat	Total
At January 1, 2022	130,710	19,806	150,516
Charge for the year	192,219	21,449	213,668
Payment	(221,453)	(12,525)	(233,978)
At December 31, 2022	101,476	28,730	130,206
Charge for the year	7,700	61,660	69,360
Payment	(99,195)	(21,044)	(120,239)
At December 31, 2023	9,981	69,346	79,327

31.4 Status of certificates and final assessments

The Company has filed its zakat and income tax return up to the year ended December 31, 2022. In 2023, the ZATCA issued a final assessment for the financial year 2017 against which the management has recognised a provision of Saudi Riyals 7.7 million. The Company has filed an objection against the said assessment with the ZATCA.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

32 Financial instruments

32.1 Fair value measurement of financial instruments

a) Recognised fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When measuring the fair value of an asset or liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at December 31, 2023 and 2022, all of the Company's financial assets and financial liabilities are currently classified and measured at amortised cost. Further, the carrying value of all the financial assets and liabilities measured at fair value through profit or loss classified as amortised cost approximates to the fair value on each reporting date.

32.2 Risk management framework

The Company's top management has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. Risk management is carried out by the Board of Directors.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the management.

The Company has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk (currency risk, fair value and cash flow interest risk and price risk)

a) Credit risk

Credit risk arises from cash and cash equivalents, credit exposures to customers, including outstanding receivables from other parties.

- Risk management

The stated rating is as per the global bank ratings by Moody's Investors Service. Management does not expect any losses from non-performance by these counterparties.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF

(A Saudi Joint Stock Company)

Notes to the financial statements for the year ended December 31, 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

The credit rating of banks in which the Company holds cash are as follows:

Credit rating (Moody's)	2023	2022
A1	2,129,975	1,876,879
A3	31,709	35,090
Total	2,161,684	1,911,969

As at December 31, 2023, the remaining cash and cash equivalents balance, amounting to Saudi Riyals 0.8 million, represents cash on hand (December 31, 2022: Saudi Riyals 0.11 million).

The short-term Murabaha deposits are held with banks having A1 credit rating and yields financial income at prevailing market rates. The carrying value at each reporting date is estimated to be the same as their fair value.

For trade receivables, management assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. The compliance with credit limits by customers is regularly monitored by line management.

For banks, only independently credit rated parties having sound ratings are accepted. For trade receivables, internal risk control department assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set in accordance with limits set by the management. The compliance with credit limits by customers is regularly monitored by line management.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a trade receivable occurs when the counterparty fails to make contractual payments within 90 days of when they fall due. The Company categorizes a receivable for write-off when a debtor fails to make contractual payments greater than 360 days past due. Where receivables have been written-off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in the statement of comprehensive income.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Company. The Company writes-off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Where recoveries are made, these are recognised in the statement of comprehensive income.

- Impairment of financial assets*

The Company's exposure to credit risk at the reporting date is as follows:

	Note	2023	2022
Employees' home ownership receivables	8	1,950	3,300
Loans to employees	9	21,162	18,804
Trade receivables – third parties	11	432,803	664,463
Trade receivables – related parties	11	633,322	369,757
Other receivables (included within prepayments and other assets)	12	1,049	1,240
Short-term deposits	13	1,635,320	148,200
Cash at banks	14	545,880	128,808
Time deposits	14	-	1,783,161
		3,271,486	3,117,733

Other receivables are considered to have low credit risk; therefore, 12 months expected loss model was used for impairment assessment. Based on management's impairment assessment, there is no provision required in respect of these balances for all the periods presented.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF

(A Saudi Joint Stock Company)

Notes to the financial statements for the year ended December 31, 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

For trade receivables, the Company applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables based on a provision matrix. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The provision matrix takes into account historical credit loss experience and is adjusted for average historical recovery rates. The provision matrix was developed considering probability of default based on historical collection trends of the Company's customers and credit rating of the Company's related parties assigned by reputed credit rating agencies and loss given default. The loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The historical loss rates are also considered to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified inflation rate, oil prices and GDP growth rate of the countries in which it sells its goods to be the most relevant macro-economic factors of forward-looking information that would impact the credit risk of the customers, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Impairment losses on financial assets recognised in the statement of comprehensive income are as follows:

	2023	2022
Impairment loss on trade receivables (Note 11)	1,216	5,727

The following table provides information about the exposure to credit risk and ECLs for trade receivables from external customers:

	Gross carrying amount	Weighted average loss rate	Loss allowance
December 31, 2023			
Current (not past due)	989,615	0.45%	4,340
1–90 days past due	67,490	0.45%	304
181–360 days past due	1,461	61.92%	905
More than 360 days past due	7,559	89.24%-100%	6,746
Total	1,066,125		12,295
December 31, 2022			
Current (not past due)	819,701	0.45%	3,654
1–90 days past due	169,514	0.46%	775
91–180 days past due	40,275	6.51%	2,622
181–360 days past due	2,380	75.44%	1,796
More than 360 days past due	2,351	94.95%-100%	2,232
Total	1,034,221		11,079

Trade receivables relate to sales made during the year to corporate customers. As at December 31, 2023, trade receivables balance from related parties' is Saudi Riyals 633.32 million (December 31, 2022: Saudi Riyals 369.76 million). Of this amount Saudi Riyals 609.74 million was 'current (not past due)' and Saudi Riyals 21.56 million was due '1 to 90 days past due' (December 31, 2022: Saudi Riyals 362.06 million was 'not past due and Saudi Riyals 6.53 million was due '91 to 180 days past due) having impairment loss of Saudi Riyals 1.2 million (December 31, 2022: Saudi Riyals 0.97 million). These pertain to corporate related parties that have no history of default and accordingly the probability of default is minimal. For related parties' balances, the Company applies the simplified approach to provide for expected credit losses, which permits the use of the lifetime expected credit loss provision based on a provision matrix. Further, related parties' balances have low credit risk and majority balances were not yet due at each reporting date.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)Notes to the financial statements for the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

Trade receivables are non-derivatives financial assets carried at amortised cost and are generally on terms of 30 to 60 days. The carrying value may be affected by changes in the credit risk of the counterparties. It is not the practice of the Company to obtain collateral over third party trade receivables and these are, therefore, unsecured. The majority of the Company's trade receivables are concentrated in the Kingdom of Saudi Arabia. As at December 31, 2023, the five largest customers accounted for 62% (December 31, 2022: 55%) of the outstanding trade receivables.

a) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments. For instance, concentrations of liquidity risk may arise from the repayment terms of financial liabilities, bank overdraft or reliance on a particular market in which to realise liquid assets. Contractual undiscounted cashflows are:

	1 year or less	1 to 5 years	Above 5 years	Total
As at December 31, 2023				
Borrowings	328,529	1,414,006	700,842	2,443,377
Accrued expenses and other liability excluding VAT payable	179,810	-	-	179,810
Trade payables	1,174,164	-	-	1,174,164
Lease liabilities	28,234	57,781	591,848	677,863
	<u>1,710,737</u>	<u>1,471,787</u>	<u>1,292,690</u>	<u>4,475,214</u>
As at December 31, 2022				
Borrowings	293,581	1,634,991	693,316	2,621,888
Accrued expenses and other liability	181,791	-	-	181,791
Trade payables	674,489	-	-	674,489
Lease liabilities	10,340	32,353	117,227	159,920
	<u>1,160,201</u>	<u>1,667,344</u>	<u>810,543</u>	<u>3,638,088</u>

Liquidity risk is managed by monitoring on a regular basis that sufficient funds and banking and other credit facilities are available to meet the Company's future commitments.

b) Market risk

Market risk is the risk that changes in market prices - such as foreign exchange rates and interest rates - will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the returns. Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market profit rates or the market prices of securities due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk.

i) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in currency that is not the Company's functional currency. The Company's transactions are principally in Saudi Riyals, United Arab Emirates Dirhams, Euros and United States Dollars. The management believes that there is no currency risk arising from the transactions in currencies to which the Saudi Riyals is pegged.

The Company's exposure to currency risk arising from currencies to which the Saudi Riyals is not pegged is not material to these financial statements.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)Notes to the financial statements for the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)*ii) Interest rate risk*

Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial position and cash flows. The Company manages the interest rate risk by regularly monitoring the interest rate profiles of its interest-bearing financial instruments. The Company's interest-bearing liabilities, which are mainly bank borrowings, are at floating rates of interest, which are subject to re-pricing. Management monitors the changes in interest rates and believes that the fair value risks to the Company are not significant. The Company have short term deposits and time deposits, interest bearing financial assets at the end of reporting period.

The interest rate profile of the Company's interest-bearing financial instruments as reported to the management of the Company is as follows:

	2023	2022
Financial liabilities, principally borrowings	<u>1,942,104</u>	<u>2,104,860</u>

The Company's main interest rate risk arises from borrowings with variable rates, which expose the company to cash flow interest rate risk. During 2023 and 2022, the Company's borrowings at variable rate were mainly denominated in Saudi Riyals and USD.

At December 31, 2023, if interest rates had been 100 bps higher/lower with all other variables held constant, future interest on outstanding loans will increase/decrease by Saudi Riyals 19.42 million (December 31, 2022: Saudi Riyals 21.05 million).

iii) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from special commission rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or it's issuer, or factors affecting all similar financial instruments traded in the market. The Company does not have any financial instruments which are subject to other price risk.

c) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a proper capital ratio in order to support its business and maximize shareholders' value. The capital is managed by the board of directors. The capital structure includes all component of shareholders' equity. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Company monitors capital on the basis of the gearing ratio. The Company does not have net debt position as at December 31, 2023.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

33 Commitments and contingencies

33.1 Commitments

- a) As at December 31, 2023 the Company had outstanding capital commitments of Saudi Riyals 1,264.50 million (December 31, 2022: Saudi Riyals 416.76 million) in respect of additions to property, plant and equipment at its Jeddah and Yanbu refineries.

33.2 Contingencies

- a) As at December 31, 2023 the letters of guarantees issued by banks on behalf of the Company amounted to Saudi Riyals 3.86 million (December 31, 2022: Saudi Riyals 2.31 million) and letters of credit issued by banks on behalf of the Company is Nil (December 31, 2022: Saudi Riyals 4.41 million) for various business needs.

33.3 Short-term leases

The short-term lease commitment as of December 31, 2023 is Nil (December 31, 2022: Nil).

34 Operating segment

The Company is engaged to construct, own and operate refineries of lubricating oils and to purchase, sell, transport, market, import and export lubricating oils, additives, lubricating oil blending stocks, by-products and other related petroleum products. The Company operates in Jeddah and Yanbu region of Saudi Arabia and has an operation in Al-Hamriyah in the United Arab Emirates. For management purposes, the Company is organized as a single business unit aligned with its principal business activity.

The Company has determined that the Company's Board of Directors and the President & CEO, are the CODM and are responsible for making decisions regarding the allocation of resources and assessment of performance of the Company. The CODM monitors the operating results of the Company as a whole for the purpose of making decisions about resource allocation and performance assessment of the Company's business. The CODM evaluates the performance on the basis of revenues, total operating expenses, earnings before interest, tax, depreciation and amortization (EBITDA), net income and return on equity.

Geographical information of the Company's revenues is disclosed in Note 25. The Company's property, plant and equipment assets are located in Kingdom of Saudi Arabia. Saudi Aramco is the Company's major customer exceeding 10% revenue threshold. See Note 25.

SAUDI ARAMCO BASE OIL COMPANY - LUBEREF
(A Saudi Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

35 Presentation of comparative information

Management has re-evaluated the presentation of certain line items in the statement of comprehensive income and the statement of financial position in the prior years to determine if such transactions have been presented appropriately in line with the requirements of International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia. Where necessary, changes in presentation were made in accordance with IAS 1 - Financial Statement Presentation ("IAS 1") and IAS 8 - Accounting policies, changes in accounting estimates and errors ("IAS 8").

As a result, management restated the comparatives of the financial statements for the year ended December 31, 2022. The adjustments have no impact on previously reported net income and retained earnings.

	Note	As previously reported	Restatement	As restated
Statement of financial position as at December 31, 2022				
Non-current liabilities				
Provision for decommissioning obligation (i)	21	-	39,081	39,081
Other non-current liabilities (i)	20	44,416	(39,081)	5,335
Total non-current liabilities		2,345,619	-	2,345,619

Statement of financial position as at January 1, 2022				
Non-current liabilities				
Provision for decommissioning obligation (i)	21	-	31,413	31,413
Other non-current liabilities (i)	20	38,174	(31,413)	6,761
Total non-current liabilities		2,625,975	-	2,625,975

Statement of comprehensive income for the year ended December 31, 2022				
Cost of revenue (ii)	26	(8,110,137)	(70,069)	(8,180,206)
Selling and distribution expenses (ii)	27	(96,985)	70,069	(26,916)
General and administrative expenses (iii)	28	(216,681)	5,727	(210,954)
Impairment loss on financial assets (iii)	32	-	(5,727)	(5,727)
Operating profit		2,171,105	-	2,171,105

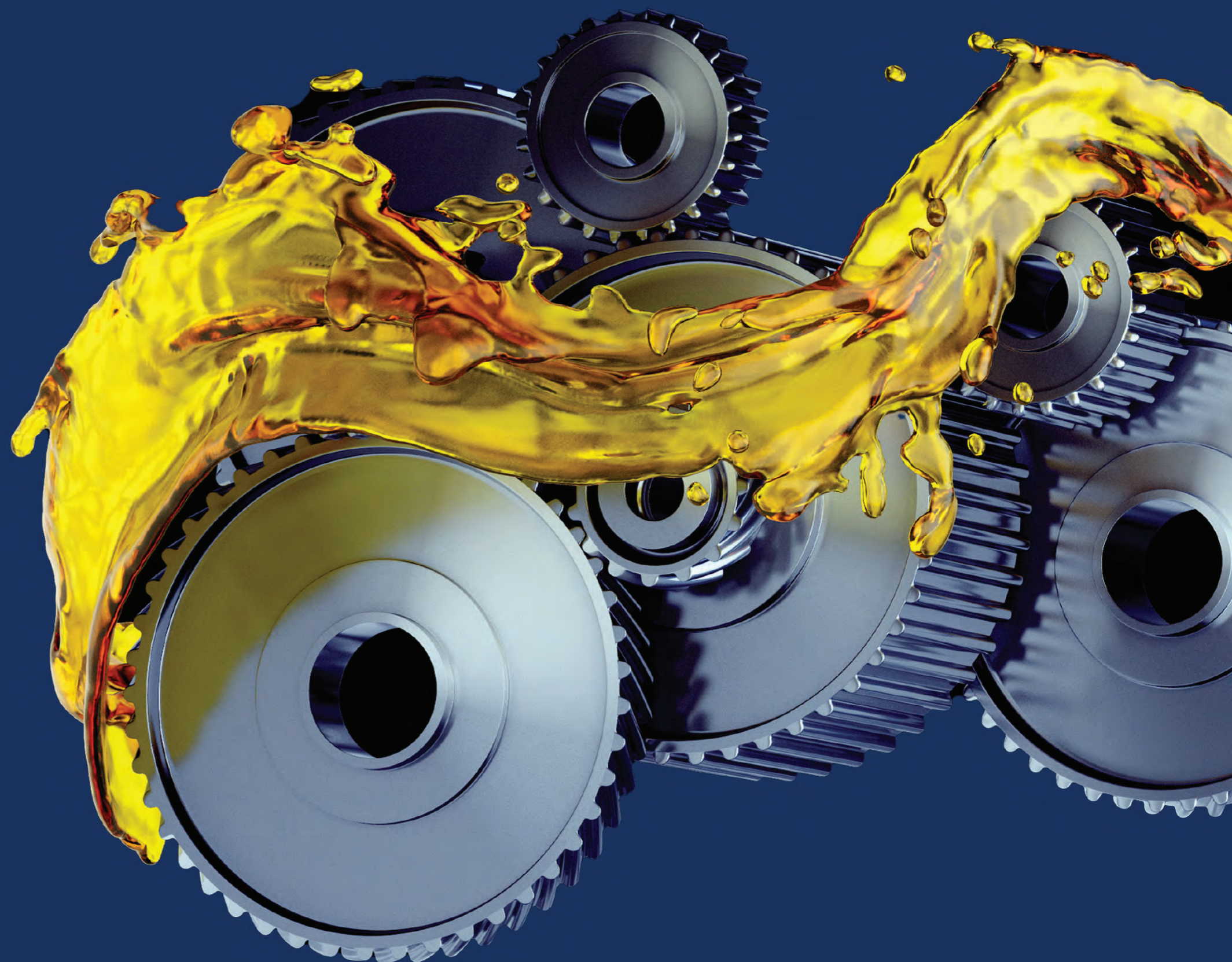
(i) In prior years, the provision for decommissioning obligation was classified within "other non-current liabilities" on the face of the statement of financial position. IAS 1 requires provisions to be presented separately and therefore, management reclassified the provision for decommissioning obligation from "other non-current liabilities" and presented this provision separately on the face of the statement of financial position.

(ii) In prior years, freight costs were classified within "selling and distribution expenses" on the face of the statement of comprehensive income. IAS 1 requires that expenses be recognised in the statement of comprehensive income using a classification based on either their nature or their function within the entity. Since freight costs are incurred to generate freight revenue and hence, based on their function, these costs were reclassified from "selling and distribution expenses" and presented as part of "cost of revenue" on the face of the statement of comprehensive income.

(iii) Impairment losses on financial assets were classified within "general and administrative expenses" on the face of the statement of comprehensive income in the prior year. IAS 1 requires impairment losses on financial assets to be presented separately and therefore, management reclassified impairment losses on financial assets from "general and administrative expenses" and presented this separately on the face of the statement of comprehensive income.

Appendix

Abbreviations



Abbreviations

MENA	The Middle East and North Africa.
NOPAT	Net Operating Profit After Tax
company	registered under commercial registration no. (4700001240) in Yanbu.
SOCPA	Saudi Organization for Chartered and Professional Accountants.
ZATCA	The Saudi Arabian Zakat, Tax and Customs Authority.
BS	Bright stock.
FEU	Furfural solvent extraction unit.
HCU	Hydrocracker unit.
LTI	Lost Time Injury
LVGO	Light vacuum gas oil.
MBD	Thousand barrels per day.
MHFO	Marine heavy fuel oil.
MLDW	Mobil lube de-waxing unit.
MT	Metric ton.
PDA	Propane de-asphalting unit.
RCO	Reduced crude oil, the main feedstock used by Luberef.
TRIR	Total Recordable Incident Rate.
ULSD	Ultra-low sulfur diesel.





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